MANAGEMENT OF U.S. DONATIONS TO THE WORLD FOOD PROGRAM

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Management of U.S. Donations to the...

HEARING

BEFORE THE

LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE

OF THE

COMMITTEE ON GOVERNMENT OPERATIONS HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

SECOND SESSION

MAY 5, 1994

Printed for the use of the Committee on Government Operations

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MANAGEMENT OF U.S. DONATIONS TO THE WORLD FOOD PROGRAM

THURSDAY, MAY 5, 1994

HOUSE OF REPRESENTATIVES,
LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, DC.

The committee met, pursuant to notice, at 10 a.m., in room 2154, Rayburn House Office Building, Hon. John Conyers, Jr. (chairman of the subcommittee), presiding.

Members present: Representatives John Conyers, Jr. and Al McCandless.

Subcommittee staff present: James C. Turner, staff director; Miranda G. Katsoyannis, professional staff member; Rosalind Burke-Alexander, clerk; and Jane O. Cobb, minority professional staff.

OPENING STATEMENT OF CHAIRMAN CONYERS

Mr. CONYERS. The Legislation and National Security Subcommittee on Government Operations will come to order. We meet to review the management problems that plague one of the most critical humanitarian efforts supported by the United States, the World Food Program.

Over the past 33 years the World Food Program has been on the front lines of disaster relief. This United Nations agency, which is our principal means of responding to man-made or natural disasters abroad, receives annually American donations of over $372 million worth of food and commodities for humanitarian relief. In 1992 alone, the World Food Program fed 42 million people and supplied $1.7 billion of food for more than 258 development projects in 90 countries. This aid represents 60 percent of all international emergency food relief.

In recent years, the U.S. Government has increasingly relied upon the World Food Program to be responsible for managing the distribution of our humanitarian donations. The sound management of this program takes on a special urgency today when we confront the reality that over 200 million people are at risk of malnutrition and starvation in East Africa as a result of conflict-related problems and drought.

Because these efforts are so important, when the subcommittee received reports of mismanagement and slow response to disasters by this important program, I asked the General Accounting Office to conduct the first comprehensive review of its operations.

Unfortunately, it appears that the U.S. donations to the World Food Program aren't being managed in an efficient and effective

manner. Inadequate monitoring and faulty planning have resulted in theft by profiteers, skimming by host governments, and spoilage of food before it reaches its destination. Equally troubling, it appears that hundreds of thousands of ineligible people are receiving this relief while their poorest countrymen go without.

Some of the key problems that have been uncovered are the following: In Ethiopia, some officials estimate that as much as 46 percent of food aid has been lost between arrival and final distribution; in Afghanistan, nearly $35 million in food aid has been stolen or misappropriated since 1987; and in Pakistan, 2,000 metric tons of food have disappeared.

The status of our humanitarian relief program in Haiti is coming into question, where the suffering that is being caused by the military junta that ousted their first democratic president, is reaching dramatic proportions.

These problems don't mean that the United States should pull out of the World Food Program or reduce our contributions to these humanitarian efforts. What it does mean is that we have a responsibility to begin a process of improving the management of our donations to the World Food Program and ensuring that our aid reaches the impoverished worldwide in a more effective manner. In this regard, I am disturbed by the GAO's findings that the U.S. Agency for International Development has not properly monitored the World Food Program, and that it did not follow its own regulations in relation to this U.N. organization.

In addition to the General Accounting Office, we are joined today by representatives of the Agency for International Development, the agency with the primary responsibility for food grants to the World Food Program; the Department of State, which has primary responsibility for setting broad U.S. policy with U.N. agencies; and the Department of Agriculture, which is responsible for procuring food and other relief commodities that we donate to the World Food Program. We welcome all of the witnesses, and I would now invite Mr. Al McCandless of California to make any opening comments.

Mr. MCCANDLESS. I want to thank the chairman for holding this hearing today on U.S. contributions to the U.N. World Food Program. It is the mandate of this committee to look over the shoulder of our Federal agencies and their programs to make sure our tax dollars do what they are intended to do.

Unfortunately, with respect to the World Food Program, it is impossible to determine if those in need have been getting the aid we intend them to have.

In fiscal year 1992, U.S. agencies contributed over $372 million in food and funding to the U.N. World Food Program. How much of this humanitarian aid actually reached the people for whom it was destined? How much was stolen or diverted by hostile forces? How much was lost or mishandled?

The GAO estimates that thousands of tons of U.S. commodities have been lost, stolen, or mishandled, but the total amount, we will never know.

Major fault lies within the monitoring and accountability procedures, or lack of such procedures, within the U.N. World Food Program. However, because it exists as part of an international body,

this U.N. program is exempt from U.S. laws which require proper accountability for U.S.-donated commodities.

We must then look within the U.S. Agency of International Development at the Bureau for Food and Humanitarian Assistance which, according to GAO, is responsible for ensuring that the U.N. World Food Program is accounting for U.S. donations.

What changes in policy and practice will the State Department have to make in order to rectify these problems? To what extent might these problems exist with other international organizations we give donations to?

I look forward to the testimony from our witnesses today. It is imperative that when and if we give humanitarian aid and assistance we know our gifts will reach the hands and the mouths of those for whom it is intended. Thank you, Mr. Chairman.

Mr. CONYERS. Thank you. Do any of your colleagues have opening statements they want included?

Mr. MCCANDLESS. Yes, Mr. Chairman. I've asked unanimous consent that Mr. Clinger's statement be entered into the record.

Mr. CONYERS. Without objection, so ordered. And the same for Carolyn Maloney of New York on our side of the aisle.

[The prepared statements of Mr. Clinger and Mrs. Maloney follow:]

Statement of

THE HONORABLE WILLIAM F. CLINGER, JR.

Subcommittee on Legislation and National Security

Oversight Hearing on the U.N. World Food Program

May 5, 1994

I would like to thank the Chairman for convening a hearing on the issues GAO raised in its audit of the U.N. World Food Program. It appears that the United States has limited control over the management and accountability of U.N.-run programs. However, as a member, and the highest contributor to the World Food Program, the U.S. has a right and a responsibility to insist that changes be made within the program so that we know whether our contributions are reaching those in desperate need of food and funding.

On a personal level, we give money and goods to our favorite charities not always knowing or checking to see if our donations actually reach their intended destinations. But at least there are a number of charities to choose from and we can make our own decision about whether and how much to give.

This is not the case with tax dollars that make up our Federal aid contributions. U.S. citizens must trust policymakers and federal agencies to make competent decisions about our aid money. The responsibility must rest with us in Congress and with you in our Federal agencies to make sure U.S. tax dollars which make up these contributions are properly accounted for.

The looting, fraudulent distribution, skimming by host governments, spoilage, and other problems found by the GAO audit are highly disturbing. As contributing members of the United Nations World Food Program, we must do what we can to effect the necessary management changes within the organization to improve accountability of our donations.

CAROLYN B. MALONEY
14TH DISTRICT, NEW YORK

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

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(718) 349-1260

REP. CAROLYN MALONEY -- OPENING STATEMENT

HEARING ON MANAGEMENT OF US DONATIONS TO THE WORLD FOOD PROGRAM

MAY 5, 1994

Thank you Mr. Chairman and good morning to our witnesses.

Because the United States is one of the world's largest donors of food for humanitarian relief, this Subcommittee has a special responsibility in ensuring that our donations are used in the most efficient manner possible.

The people of the United States are possessed with an incredibly generous nature. This fact has been demonstrated again and again over the years when humanitarian disasters strike in far corners of the globe. No one, I think, would begrudge the amount of relief we give. However, in order to aid the largest amount of people possible, our donations must be distributed in an economical and efficient manner.

The GAO, at the request of this Subcommittee, has conducted an investigation into the Agency for International Development's procedures for ensuring accountability over US donations to the World Food Program. The results of that study were not encouraging -- tens of millions of dollars of food donated by this country have been stolen, lost or otherwise mishandled. This is especially tragic when one considers that these loses may well have resulted in the deaths of thousands.

These problems must be corrected. I look forward to hearing the views of our witnesses on the best ways of doing just that.

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Mr. CONYERS. We begin this morning with the General Accounting Office. The Director of International Affairs, Mr. Harold Johnson, is our first witness. He has served in a number of capacities in the government. And with him is Mr. Edward George, Jr., senior evaluator; and Mr. Peter Sylsma, senior evaluator from GAO's Frankfurt, Germany office.

Gentlemen, we welcome you to the committee, and your statement will be included in today's record in its entirety. We invite you to summarize with key points so that we can ask a few questions afterward. Welcome to the committee.

STATEMENT OF HAROLD J. JOHNSON, DIRECTOR, INTERNATIONAL AFFAIRS ISSUES, NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION, U.S. GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY EDWARD J. GEORGE, JR., AND PETER J. SYLSMA, SENIOR EVALUATORS

Mr. JOHNSON. Thank you very much, Mr. Chairman, Mr. McCandless. As you indicated, you requested this study some time ago and asked us to look at how well the Agency for International Development is managing U.S. contributions to the World Food Program. We've reported to you in January, and you've summarized fairly well the results of that study.

Indeed, our review did show that millions of dollars of U.S. commodities donated to the World Food Program were lost, stolen, or mishandled. And the losses went unchecked, at least in part, because AID relied on ineffective WFP accountability procedures and did not effectively monitor the donation's distribution or use.

WFP commodity loss reports were incomplete, inaccurate, and did not adequately highlight the distribution problems or the need for corrective action. As you indicated, we also found that the United States often did not respond quickly to WFP emergency food requests because such requests were not treated as emergencies.

However, I would hasten to note that we found no evidence that the intended recipients of emergency assistance suffered as a result of that, and that is because the World Food Program was able to adequately move commodities from one location to the other out of existing stocks. It did put additional stress on their system, however.

I'd like to mention a few details about our findings. As you indicated, WFP obtains and distributes a large amount of food for humanitarian feeding activities and for food for work and other development projects throughout the world: Over $1.7 billion worth in 1992 from all donors. Historically, the United States has been one of the largest donors to WFP, and in 1992, contributed about $370 million, with $228 million of that coming from the Public Law 480 title II program through the food for peace office.

AID does have specific regulations that most voluntary organizations are required to comply with when dealing with Public Law 480 title II commodities. However, these regulations, as you indicated, do not apply to U.N. organizations such as WFP. Instead, the United States, in all its relations with international organizations, relies on the management, audit, and procurement policies of those organizations when they make contributions.

The U.S. Government's position has been, and is, that once the United States donates the food to WFP, the commodities belong to that organization and not to the United States. Oversight of those activities come about by AID and the other agencies involved exercising their oversight by membership of the boards and governing bodies of those organizations. In the case of WFP, this is the Committee on Food Aid Policy and Programs.

AID has always relied on the accountability structures and audit capabilities of WFP to ensure proper commodity management. We would see this as entirely appropriate.

However, none of the agency officials that we spoke with at AID, State, or Agriculture were specifically familiar with WFP's accountability procedures and audit reports. These officials had not assessed WFP's accountability procedures; they did not know WFP loss rates for U.S. commodities, nor were they aware of accountability problems cited in WFP external or internal audit reports.

I might mention that internal audit reports are not made available to member states, and in that connection, we think that at least some summarization of the recommendations in internal audit reports ought to be provided.

AID has established only a few requirements for its own oversight of WFP projects. One of these requirements is that AID officials are supposed to assess WFP projects to determine whether they are technically sound and carefully planned. This would help the U.S. delegation to WFP's governing body make recommendations for improvements to the project.

Another is that AID mission officials are to be aware in countries where we have missions and WFP projects, of the management problems that may exist with WFP projects and report these matters back to Washington for resolution. We found that even these minimal requirements were not being adequately met.

The U.S. delegation often was not aware of serious commodity management problems that we identified, and even when they were aware of the problems, as in the case of Ethiopia, they didn't raise those problems when the project came up for renewal.

The AID missions were generally not assessing whether WFP and the host governments could effectively monitor and manage the projects, and for most projects that we examined, were generally unaware of the serious commodity management problems, including theft of food. AID mission assessments are important inputs into the delegation's preparation for the project approval process.

We tested these WFP safeguards and accountability mechanisms, as you mentioned in Ethiopia. We also went to Pakistan and the countries bordering Liberia, where we looked at protracted refugee operations. In Pakistan and in India, we looked at development projects. We found that WFP's accountability systems were inadequate.

For example, in Ethiopia, WFP provided food for up to 400,000 ineligible people because it relied on inaccurate census information from the Office of the U.N. High Commissioner for Refugees and the host government. In one camp alone, WFP provided food for about 250,000 people, when only about 80,000 people were in the camp.

Moreover, some of the food that was intended for these recipients was diverted from the intended recipients, and the poorest were sometimes left out of the distribution process.

In Pakistan, WFP provided food for over 270,000 fraudulently registered Afghan refugees from 1987 to 1992. This amounted to wheat and edible oil valued at about $35 million. I would point out that during this period, the United State provided about 40 percent of the wheat and almost all of the edible oil.

Also in Pakistan, a WFP-sponsored food-for-work project lost, either through theft or misappropriation, about 2,200 metric tons of food between 1988 and 1990. This represented about 70 percent of the food provided for the project. WFP did not report these thefts as losses, and U.S. officials, at the time of our review, were unaware of them.

We found that accountability procedures in the other two programs we looked at were generally effective. However, it is very important to note that this was not because WFP imposed effective procedures. Rather, in the case of the project in India, the Indian Government imposed its own accountability system. In the case of the Liberian refugee project in the Ivory Coast, the Red Cross implemented its system of controls that had higher standards of accountability.

We made several recommendations aimed at improving accountability of resources at WFP. These included asking that U.S. agencies work with other donors and the executive director of WFP to develop effective procedures for distributing, monitoring, safeguarding donations; to require complete and accurate commodity loss reports to donors on a project-by-project basis, which had not been done; to include in WFP's project evaluations commodity management problems and actions taken by WFP to correct project deficiencies—this would also include audit reports; and to require an annual report on the status of internal and external audit report findings and recommendations.

We also made recommendations to strengthen AID's own oversight ability. These included recommending that the administrator of AID ensure that missions were fulfilling the requirement to periodically assess and report on host government and WFP capabilities to manage and monitor the projects, and to require that the U.S. delegation to WFP prepare comprehensive position papers for the WFP project proposal review meetings and include comments on whether the host government and WFP have the capability to ensure adequate accountability practices.

When AID commented on our draft report, they generally agreed with our findings and recommendations but, in our view, tended to downplay the severity of the problems. AID also seemed to challenge our position that the agency has a fundamental responsibility to protect U.S. Government resources provided to international organizations. Of course, we were concerned about the thrust of these general themes.

Two days ago, we were faxed a copy of AID's comments on our final report that was issued in January. While we have not had time to thoroughly evaluate them in detail, I must say, we are very pleased with the positive approach AID and the other agencies are

now taking with regard to the serious management problems discussed in the report.

While AID, I'm sure, would have liked to have had our final report describe in more detail the challenges that WFP faces in dealing with complex political emergencies—and we don't disagree with AID on that point—AID did not offer this as an excuse for poor accountability or inadequate management systems at WFP.

I'm sure your next witnesses will discuss in some detail the actions that they have taken or plan to take. But I'd like to mention just a few that were noted in AID's comments that we see as particularly important.

First, AID acknowledged the problems, both within AID and WFP. This, we believe, was a necessary first step before serious corrective action could be taken.

Second, U.S. agencies acknowledged that WFP lacks the administrative resources to implement reform measures and has increased the U.S. contribution to $3 million for this fiscal year. I think there's still some question as to the adequacy of that level.

Third, the U.S. delegation to WFP did develop comprehensive position papers so that it would be prepared for the 1993 meetings on project approvals.

And finally, and most importantly, AID has initiated a series of actions to work with WFP to improve its management systems to help ensure better accountability of resources provided by all donors.

WFP also agreed with our findings and observations and provided a positive and detailed statement of the corrective actions it plans to take. These actions, approved by WFP's governing body as part of the organization's 1994 budget, include:

Improving financial management capabilities in the field, including the installation of a field controller system and hiring dedicated financial officers in the field.

Second, increasing resources for the accountability function at headquarters, including the doubling of the number of internal auditors and placing greater emphasis on commodity control and accountability.

Third, increasing the headquarters' financial and information management systems functions so that country offices can better carry out their accountability requirements.

Fourth, decentralizing the budget system so that managers will be responsible and accountable for managing their resources.

And fifth, strengthening WFP's capability for monitoring emergency programs and introducing emergency training and implementing efficient delivery systems for relief operations.

One additional thing that we noted that was not specifically mentioned in WFP's comments that we also think is an important reform measure are some reorganizations that were made early on in Ms. Bertini's term of office that we see as helping to streamline the management process of that organization.

The WFP executive director also noted that WFP's ability to resolve many of the problems that we identified in our study are hindered by a shortage of operational funds, and I've alluded to that already. WFP receives no cash contributions from the United Nations, and the major donors, including the United States, have not

been contributing sufficient funds to cover the necessary operating expenses. As I've indicated, the United States is providing $3 million for this fiscal year, but up to now, has provided only $1 million to $2 million annually to cover WFP's operating expenses.

That concludes my remarks. We'd be more than happy to try and respond to your questions.

[The prepared statement of Mr. Johnson follows:]

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Legislation
and National Security, Committee on
Government Operations, House of Representatives

For Release on Delivery
Expected at
10:00 a.m., EDT
Thursday,
May 5, 1994

MULTILATERAL ASSISTANCE

Accountability for U.S. Contributions to the World Food Program

Statement of Harold J. Johnson, Director, International Affairs
Issues, National Security and International Affairs Division

GAO/T-NSIAD-94-174

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the results of our review of the Agency for International Development's (AID) management of U.S. food donations to the World Food Program (WFP).[1] This review responds to your request that we examine AID's accountability for U.S. donations to WFP and comment on the United States' responsiveness to WFP emergency food requests. My testimony will focus on the problems we identified, the recommendations we made to correct these problems, and the agencies' responses to our recommendations. I want to emphasize at the outset that we recognize the importance of WFP's work. Throughout the world WFP has helped save millions of lives. We hope that our review will help WFP perform its important work more efficiently and effectively.

We found that millions of dollars of U.S. commodities donated to WFP through AID were lost, stolen, or mishandled. The losses went unchecked because AID relied on ineffective WFP accountability procedures and did not effectively monitor the donations' distribution or use. WFP's commodity loss reports to donors were incomplete and inaccurate and did not adequately highlight distribution problems or the need for corrective actions.

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[1]Foreign Assistance: Inadequate Accountability for U.S. Donations to the World Food Program (GAO/NSIAD-94-29, Jan. 28, 1994).

We also found that the United States often did not respond quickly to WFP emergency food requests because the requests were not treated as emergencies. However, we found no evidence that the recipients of the emergency assistance suffered because of the slow U.S. responses.

Mr. Chairman, I will now discuss our findings and recommendations in more detail and comment on AID's and WFP's responses to them.

POOR ACCOUNTABILITY FOR U.S. DONATIONS

WFP, a U.N. agency, obtains and distributes large amounts of food for humanitarian emergency feeding activities and for food-for-work and other development projects throughout the world. To implement its programs, WFP turns donor contributions over to recipient host governments and nongovernmental organizations for receipt, storage, delivery, distribution and reporting on the projects' results. Historically, the United States has been one of WFP's largest donors, with contributions totaling over $370 million in fiscal year 1992. Approximately $228 million of that amount was contributed through AID's Office of Food for Peace.

AID Established Few Oversight Requirements for WFP Donations

AID has specific regulations for most organizations implementing food aid programs. These regulations are intended to safeguard commodities, ensure proper accountability over their use, and provide AID the necessary information to determine whether they are being used effectively. The regulations apply to private voluntary organizations to which AID provides commodities and funds. Because WFP is a U.N. agency, it is exempt from AID's accountability regulations. According to AID, the United States relies on the management, audit, and procurement policies and procedures of international organizations, such as WFP, when making contributions to them. Officials at AID, the State Department, and the Department of Agriculture told us that once the United States donates food to WFP, the commodities belong to WFP and not to the United States. The officials noted that they exercise oversight over WFP operations through membership on WFP's governing board, and they rely on, and have confidence in, WFP's accountability structures and audit capabilities to ensure proper commodity management.

We found, however, that none of the U.S. officials we spoke with at AID, State, or Agriculture were familiar with WFP's accountability procedures or audit reports. None of these officials had assessed WFP's accountability procedures, knew the WFP loss rates for U.S. commodities, or were aware of

accountability problems cited in WFP audit reports. These officials had participated on WFP's governing board and approved WFP projects and were considered the most knowledgeable U.S. officials on WFP management issues.

AID has established only a few oversight requirements for WFP donations. One requirement is that AID officials assess WFP projects to determine whether they are technically sound and carefully planned. In doing this, the U.S. delegation to WFP's governing body, headed by an AID official, can recommend improvements in WFP projects on the basis of AID, Agriculture, and State analyses of the projects. Another requirement is that AID mission officials be aware of mismanagement in WFP projects and report such matters to AID/Washington for resolution.

AID Does Not Follow Its Own Accountability Requirements

We found that AID was not meeting either of these requirements. The U.S. delegation often was not adequately prepared for WFP project review sessions, and we found only a few formal position papers that consolidated or formalized the U.S. delegation's position on projects we examined. Moreover, the U.S. delegation often was not aware of serious commodity management problems; however, even when they were aware of problems, as in the case of Ethiopia, they did not raise them during project renewal discussions. We found, also, that the AID missions were

generally not assessing whether WFP and the host governments could effectively monitor and manage the projects and, for most of the projects we examined, were generally unaware of serious commodity management problems, including theft of food. AID mission assessments were important inputs to the U.S. delegation's preparations for WFP project reviews.

WFP's Accountability Procedures Were Inadequate

To test WFP's ability to safeguard U.S. contributions, we examined WFP's accountability procedures for five projects, including protracted refugee operations in Ethiopia, Pakistan, and countries bordering Liberia, and development projects in India and Pakistan.

We found that WFP's accountability procedures were inadequate. Accountability requirements were vague and did not provide sufficient mechanisms for ensuring that donations were properly safeguarded. Moreover, in most cases WFP was not meeting its stated requirement to observe commodity distributions to beneficiaries. As a result, WFP was unable to identify or halt the continuing loss or theft of commodities in some of the projects we examined.

What follows are examples of accountability problems we found at three of the five projects we examined:

-- WFP provided food for up to 400,000 ineligible people in Ethiopia because it relied on inaccurate census information from the United Nations High Commissioner for Refugees (UNHCR) and the host government. In one camp alone, WFP provided food for about 250,000 people when only about 80,000 were in the camp. Moreover, some of that food was diverted from intended recipients, and the poorest people sometimes got left out of the distribution. UNHCR officials estimated that 40 percent of the food distributed to the camp was diverted to Somalia for sale in markets there.

-- From 1987 to 1992, WFP provided food to over 270,000 fraudulently registered Afghan refugees in Pakistan. This amounted to wheat and edible oil valued at about $35 million; during this period, the United States provided 40 percent of all wheat contributions and most of the oil. Although U.S. officials worked with WFP to eventually reduce the fraudulent registration, this only occurred in 1992, 10 years after WFP officials believed the registrations were inflated.

-- Between 1988 and 1990, a Pakistan food-for-work project lost, through theft or misappropriation, about 2,200 metric tons of food. This represents about 70 percent of the 985,000 workdays of food WFP provided for this project

during this period. WFP never reported these thefts as losses, and U.S. officials were unaware of them.

We found that the accountability procedures for the remaining two programs were generally effective. However, it is important to note that WFP did not impose these effective procedures. Rather, in the case of the project in India, the government imposed its own accountability system. In the case of the Liberia refugee project, the Red Cross implemented its own system of controls that had higher standards of accountability.

AID's and WFP's Responses To Our Recommendations

In our January 1994 report, we made several recommendations aimed at improving accountability for resources provided to WFP. For example, we recommended that the U.S. agencies--AID, State, and Agriculture--work with other WFP donors and WFP's Executive Director to (1) develop effective procedures for distributing, monitoring, and safeguarding donated commodities; (2) require complete and accurate commodity loss reports to donors on a project-by-project basis; (3) include in WFP's project evaluations commodity management problems and actions taken by WFP to correct project deficiencies; and (4) require annual reports on the status of applicable external and internal audit findings and recommendations.

To strengthen the U.S. delegation's ability to assist WFP in establishing more effective accountability procedures, we also recommended that the Administrator of AID

-- ensure that missions fulfill their requirements to periodically assess and report on host government and WFP capabilities to manage and monitor WFP projects, and

-- require that the U.S. delegation to WFP develop comprehensive position papers for project proposal review meetings on WFP project proposals, including comments on host government and WFP capabilities to ensure adequate accountability practices.

AID generally agreed with our recommendations for improved accountability for U.S. donations and indicated that certain actions, such as strengthening the project approval process and improving program and financial accountability at WFP, were already underway. However, AID said that the United States relies on international organizations to manage, audit, and maintain accountability when it makes contributions to them and that AID is therefore not responsible for program accountability for U.S. contributions. AID also commented that WFP management problems and commodity losses were not as severe as we portrayed them and stated that, even if some losses did occur, we did not sufficiently appreciate the management challenge WFP confronted

in a difficult and sometimes hostile operating environment.

We believe that AID has a fundamental responsibility to protect U.S. government resources by ensuring that proper accountability for U.S.-provided assistance is maintained. In our opinion, AID is not relieved of this responsibility simply because a recipient, in this case WFP, is an international organization not subject to AID regulations. In the case of WFP, AID could have protected U.S. funds by ensuring that WFP had the capability and systems to properly manage and safeguard U.S. donations before the donations were made. The severity of WFP's management problems and the losses that occurred are matters of judgment, but in our view the problems were significant. We fully appreciate the difficult challenge WFP faces in meeting emergency and development needs; however, even WFP acknowledges that this is not an excuse for inadequate accountability procedures.

WFP agreed with our findings and observations and provided us with a positive and detailed statement of corrective actions already taken or planned. These actions, approved by WFP's governing body as part of the organization's 1994 budget, included

-- improving financial management capabilities in field offices, including the installation of a Field Controller system and the hiring of dedicated financial officers in the

field;

-- increasing resources for accountability functions in headquarters, including doubling the number of internal auditors and placing greater emphasis on commodity control and accountability;

-- increasing headquarter's Financial and Information Systems functions to enable Country Offices to carry out these accountability functions;

-- decentralizing the budget system so that managers will be responsible and accountable for managing their resources; and

-- strengthening WFP's capacity for monitoring emergency programs and introducing emergency training to implement efficient delivery systems for relief operations.

WFP's Executive Director noted that WFP's ability to resolve many of the problems identified in our study are hindered by a shortage of operating funds. WFP receives no cash contributions from the United Nations, and the major donors (including the United States) are not contributing sufficient funds to cover necessary operating expenses. The United States has provided only $1 million to $2 million annually to cover WFP's operating

expenses. As a result, WFP's operating budget is severely constrained.

AID officials agreed that the United States should provide WFP additional funding for operating expenses to safeguard U.S. commodities; however, so far this has not been possible. They said U.S. policy is to provide only food and transportation costs. According to the State Department, the U.S. position has been that other donors should contribute cash for WFP's administrative costs. However, other donors' cash contributions have not kept pace with WFP's rapid increase in emergency operations. AID acknowledged that its policy on this matter may have a negative affect on WFP's ability to closely monitor the program's rapid expansion.

U.S. RESPONSES TO WFP EMERGENCY REQUESTS

Mr. Chairman, most of my remarks have focused on accountability problems. Now, as you requested, I will say a few words about the United States' responsiveness to WFP emergency food requests. Because the United States does not pledge to WFP emergency operations in advance, each emergency request is reviewed and approved separately. During our review, WFP officials told us that while the United States is a generous donor--donating about 157,000 metric tons of commodities valued at almost $55 million in fiscal year 1992--it has one of the slowest emergency response

rates of any donor country.

We found that the United States did respond quickly to some WFP requests. For example, AID responded quickly to the 1992 regional drought in southern Africa. But, on average, the United States responded almost 8 months after WFP's requests during fiscal year 1992. A WFP request for 40 metric tons of corn-soya milk for Bhutanese refugees in Nepal, for example, arrived 11 1/2 months after the request was made.

Slow responses were due to (1) AID's is not giving priority to many requests and (2) the Department of Agriculture's generally using the same procurement and shipping procedures for emergency and nonemergency requests. However, as I noted earlier, we found no cases in which victims of emergencies went without food as a result of the slow U.S. responses. This was because WFP used other stocks until U.S. donations arrived.

To improve U.S. responsiveness, we recommended that AID establish procedures for expediting approval of emergency requests and pledge, on a test basis, limited commodities to WFP's International Emergency Food Reserve. AID agreed, in concept, with these recommendations and agreed to pursue them.

Mr. Chairman, this concludes my prepared remarks. At this time, my colleagues and I would be happy to respond to any questions you or the other Subcommittee Members might have.

(711080)

Mr. CONYERS. Well, thank you very much. This is a very troubling area for us because we support the humanitarian programs, and it's critical that they be operating at full-speed.

What I think I found here is that although WFP is exempt from title II accountability requirements that govern AID's relationships with other U.N. organizations, AID did not even follow its own regulations, which governs its specific relationship with WFP. The U.S. delegation to WFPs governing body can recommend improvements in projects on the basis of AID's, USDA's, and State's analysis of WFP projects. But that it does not. Is that true?

Mr. JOHNSON. Yes, that's generally true. I would make one comment about that, and that is that AID's regulation 11 applies to private and voluntary organizations that receive title II commodities. It does not apply to WFP.

The offending section of reg 11 in terms of WFP has to do with the ability to audit. The remaining parts of that regulation call for specific accountability procedures and could be applied to WFP. It's not that there's a certain kind of accountability requirement that ought to be applied to PVOs and others that ought to be applied to international organizations. It just happens that they have these regulations in different places.

But the problem with audit has to do with the fact that the United States, being a signator to various treaty provisions, is limited in its ability, and GAO is limited in its ability to audit those organizations. As you well know, the General Accounting Office does not have audit authority for U.N. organizations. Our audit authority runs through the U.S. Government agencies that are represented at those international organizations. That also applies to the inspector generals.

Mr. CONYERS. Well, what is the purpose, then, of 11, and how can we get it to work better?

Mr. JOHNSON. Well, the purpose of reg 11, really, as I mentioned, goes to how private and voluntary organizations that receive about 60 to 70 percent of the title II commodities manage their programs. The transfer agreement that AID signs with WFP also calls for accountability. It's not that accountability is ignored in the regulations that apply to international organizations.

The problem that we found was that on both sides, on the AID side as well as the WFP side, those requirements were not being complied with.

Mr. CONYERS. Which requirements are we——

Mr. JOHNSON. For basic accountability. For having the kind of audits done of WFP projects similar to the audits that are performed on private and voluntary organization projects that might be of a similar nature. AID did not—does not try to prescribe the specific kinds of mechanisms that WFP would institute to assure accountability for storage, for handling, for distribution, or for tracking.

It relies on WFP to do that, and as I indicated, we see that as an appropriate approach; provided WFP—and AID, knows that those procedures are adequate. And at the time we looked at this program, AID did not know whether or not those mechanisms were adequate.

So, our view is that reg 11 includes some principles that should be applied to any kind of operation to ensure accountability. We would not specifically recommend, however, that reg 11 be assigned to apply to international organizations for the reasons that I have indicated about audit authority over those organizations.

Mr. CONYERS. But there is a general power that exists anyway, isn't there? I mean, what do we have to go in? If you tell me 11 isn't so great, then what are we relying on?

Mr. JOHNSON. We're really relying on the transfer agreement that specifies what WFP is supposed to do in order to assure accountability over the commodities and cash.

The transfer agreement, as I indicated, specifies those kinds of things, and it does provide that if AID is not satisfied with the accountability process at WFP, it can call for a separate audit or evaluation. It had not—AID had not done that. Primarily, we believe—and this is a bit speculative—but primarily because AID probably didn't know the seriousness of the problem. They didn't seem to know when we brought some of these matters forward that they were—that some of these things were as bad as they were. They did know about the Ethiopia problem, however.

Mr. CONYERS. Well, the World Food Program's located in Rome.

Mr. JOHNSON. Yes.

Mr. CONYERS. OK. Does that create any difficulties or—by it not being located in North America, does that create problems for us here, or what?

Mr. JOHNSON. No, I don't see that that is necessarily a problem. It's probably a good location for WFP in that they work very closely with the other food organizations that also are located in Rome. As you may know, WFP was created as kind of a joint venture between the Food and Agriculture Organization, which is located in Rome, and the U.N. body in New York, and, up until 1 year or 2 ago, had closer ties to the Food and Agriculture Organization.

And we believe that such a structure contributed to, or at least allowed some of the management problems that we found to prevail as long as they did. The working relationship was not as good as it could have been between WFP and the Food and Agriculture Organization [FAO] did have some responsibility for financial management systems that were employed by WFP, but as of a couple years ago, we think that problem has been corrected.

Mr. CONYERS. Well, I——

Mr. JOHNSON. But I don't see it as necessarily a problem. They do have a small staff in Rome relative to what some other U.N. organizations have at their headquarters. They have less than 500 people in Rome out of about 3,800 people. The rest of their folks are in the developing countries, in the countries where their projects are located. And we think that's an appropriate approach.

Mr. CONYERS. Well, this is just the opening. I see we're going to have to go into this a lot deeper, and I think you have made a good start. And we have put everybody on notice that this is a very important part of our oversight and responsibility. But it seems to me that there have been balls dropped when it wasn't necessary, and I wish I could believe that nobody was jeopardized as a result of that.

We're getting serious reports of starvation and malnutrition in many places—the world—I'm sure our humanitarian resources are overwhelmed as we look at all the trouble spots around the world. So I'm going to yield now to Mr. McCandless, who I know has some inquiries of his own, and I may have a few more questions for you or I'll submit them to you for the record.

Mr. JOHNSON. That would be fine.

Mr. CONYERS. Mr. McCandless, please.

Mr. MCCANDLESS. Thank you, Mr. Chairman. If I understand your report correctly, Mr. Johnson, you visited or participated in five off-shore food projects for purposes of your review.

Mr. JOHNSON. Yes.

Mr. MCCANDLESS. And in your comments you talked about the fact that three out of the five that you reviewed were handled unsatisfactorily.

Mr. JOHNSON. Yes.

Mr. MCCANDLESS. How many projects are currently in the World Food Program?

Mr. JOHNSON. I don't have that number. We could supply that number. There are quite a large number of projects, and we don't suggest by any means that our findings are statistically projectable.

[Information for the record: As of December 31, 1992, WFP had underway 258 development projects, 44 protracted refugee feeding operations, and 82 emergency operations.]

Mr. JOHNSON. But the findings that we had go to the issue of systems in the countries, as well as the accountability systems that we looked at in Rome, indicated to us that the systems were not adequate. Even in those two cases where accountability was handled quite well and they were keeping track of the food and it was not getting diverted, that was not necessarily because of systems that were imposed by WFP. That was because the implementing partners of WFP—in the case of India, the Indian Government; and in the case of the Liberia project, the Red Cross—had their own accountability systems that worked well. So I don't want you to think that we are making a statistical projection in any of the numbers that we use or any of that, but the systems issue does come out in the case studies that we looked at.

Mr. MCCANDLESS. Well, let's not project the three out of five, then, as you suggested, because we have no statistical data to do so. It would be reasonably safe to assume that somewhere in the neighborhood of half of the programs, at least a third of the programs, do not have the proper accounting process. And you have explained, and the information in your report has explained, the lack of ability of the United States to hold the WFP accountable because of the international nature of the organization, which I mentioned in my opening remarks.

Let me be hypothetical here for a minute, and say that it has been established by those who are responsible in the World Food Program that we need to send some commodities to country X, and that the commodities then move to country X and are placed in a warehouse for purposes of distribution.

Does our embassy or counsel general or representatives in that area—do they ever get involved in the overseeing or monitoring of

this, not in the sense of distribution or direct responsibility, but in an observation mode and reporting back that: "Hey, this shipment went pretty well. Maybe a couple of glitches but we're dealing with them. The country—they can't be perfect, so we're going to give them a B."

Then a couple months later, in a similar scenario with country A, they say, "Boy, they got all kinds of problems. Stuff fell off of trucks, and some of it disappeared between point A and point B as we monitored this, so we're going to give them a D minus." Does something like that take place or am I being too——

Mr. JOHNSON. I don't want to say never, because we didn't look at all the projects, obviously, but in the cases that we looked at, we didn't see that kind of reporting.

Mr. MCCANDLESS. Is there any kind of a monitoring process in place at these establishments where food or commodities are delivered? Is that a part of the policy of that embassy or counsel?

Mr. JOHNSON. It had not been in the projects that we looked at. Now, I do know that the embassy in Ethiopia was aware of the distribution problems in Ethiopia, because I was there 2 years ago and they were well aware of the problems in both the camps on the Sudanese side as well as on the Somalia side. We did not see reporting cables specifically on that, and there was not, at that time, a formal mechanism for monitoring or reporting back.

But I do know that they were aware of the problems. And later on in the process, that this was reported to AID. The U.S. delegation to WFP apparently was aware of those problems, but they were not discussed when the projects were reapproved.

Mr. MCCANDLESS. Since we have a situation in this hypothetical scenario I'm pointing out to you where AID becomes a requirement, then the socioeconomic condition of that country becomes, it would appear to me, a paramount point——

Mr. JOHNSON. Yes.

Mr. MCCANDLESS [continuing]. Of activity on the part of our representatives. They're there to handle political and social and other relationships. It isn't a question of, "Well, we have got all these other things taking place, and this is kind of a little small thing over here."

The problems I'm having here—I think your answer is reasonable—is if there is going to be accountability, irrespective of whether we have the authority to do it or not, we monitor everything else in a country——

Mr. JOHNSON. Yes.

Mr. MCCANDLESS [continuing]. That the beginning point would be an observation mode to see what these people would report back that—well, as I outlined, indicated things didn't go very well, which then would alert at a direct level of the distribution system. That person would then say, "OK, well, we're going to have to talk to those good people over at the world program and tell them that we're somewhat dissatisfied"—and I'm being pleasant about this, very diplomatic—that, "Fellows, you really ought to take a look at this, because our people are telling us this and that and so on and so forth."

And if I understand, in the areas that you have had direct contact, this is not a channel of communication.

Mr. JOHNSON. It's not a routine process to do that kind of monitoring, and that is one of the things that we noted that the AID missions—and we don't speak directly to the embassy issue—but the AID missions do have a responsibility to report back on the management capability of the country receiving the commodity as well as WFP's ability to monitor within the country. And we saw gaps in that reporting.

There is a distinction I would like to make, though, between the kind of emergency, high profile programs like you mentioned, and the development activities that WFP also engages in. I think the balance has shifted. About 60 percent of WFP's activity now is in the more emergency related kind of activities, but WFP was originally established as a development agency, and most of their systems and mechanisms were geared toward development projects and the kind of monitoring that might take place there.

Now, AID has a responsibility to look at the capacity in both of those areas. We recognize that, in large-scale refugee projects, that is going to be more difficult. There are going to be more opportunities for fraud to occur, for diversion to occur, but, by the same token, that is not an excuse not to have good systems. Make it more difficult for people to commit the fraud, to divert the food, rather than to make it easy for them.

Mr. MCCANDLESS. Well, a little more direct in relation to current events here on the Hill, in the conference report which was just passed on the Foreign Relations Authorization Act, both the House and Senate agreed to a provision that would withhold portions of certain assessed contributions until the President certifies to the Congress that the United Nations has established an independent office and appointed an inspector general to conduct or supervise objective audits, inspections, and investigations relating to programs and operations of the United Nations.

Mr. JOHNSON. Right.

Mr. MCCANDLESS. In your opinion, from the experience that you have gathered on this subject, is the United Nations inspector general the answer to the type of problems that we're talking about?

Mr. JOHNSON. My short answer to that is yes. A longer answer is that it is not clear, because of the relationship that WFP has with the U.N. headquarters as well as the Food and Agriculture Organization, whether the inspector general that is being offered up in the State Department's authorization bill would necessarily apply to WFP.

As I understand, the U.N. inspector general authority would not extend, at this point, outside of those organizations that are directly under the auspices of the general assembly. When you have the State Department people before you this morning, you can ask them more about this—but an inspector general function certainly would help sort out some of theses problems. A strong internal audit organization also would help.

A problem that GAO and others have had with the internal audit function at the United Nations—at any of the agencies of the United Nations—is that their reports are not made available to member states. Member states don't know what recommendations are being made in those internal audit reports, and consequently there is no

pressure to implement the recommendations of the internal audit groups.

That is not the same for the Board of External Auditor's Reports. These reports do get some visibility, and there is a greater inclination to comply with the recommendations of the Board of External Audit. However, most of the time that the Board of External Audit spends on auditing the United Nations or its agencies has to do with financial statement audits rather than program audits.

Some of the types of problems that we pointed up had been pointed up by the external auditor of the World Food Program, which at that time was the British National Audit Organization. I think that has changed. I think the French are now WFP's external auditor. But those things do help, and I think an inspector general function that applied to the U.N. agencies would certainly be a tremendous improvement over what we have now.

Mr. MCCANDLESS. In your view—and I'm thinking about a current emergency that's going to be a mass food program, Bangladesh, because of the weather they have had and the number of people that are involved, and the impoverishment of the country to begin with—is the U.N. World Food Program properly weighing the risks of AID to places when making a decision as to whether to respond to these emergency calls for AID?

And I picture everybody wanting to help—the United States as a country, private organizations—saying, "We need to help these people because of the unfortunate circumstances," and stuff piles up here and piles up there, but it doesn't seem to get anywhere.

And I guess what my question really says is is there enough planning before we get involved as a country to ensure that what it is we're planning and what we want to accomplish is going to happen before we actually start the train in that direction. Have you made any observations about this as part of the policy?

Mr. JOHNSON. We didn't look specifically at that question, but my sense is—in discussions that we have had—is that that kind of planning is getting better. The southern Africa drought, I think, is an example of that, where AID took the lead and provided food. So coordination and planning seems to be improving, but I can't base that on a specific study that we have done.

Mr. MCCANDLESS. Thank you Mr. Johnson. Thank you, Mr. Chairman.

Mr. CONYERS. Thanks for some good questions, Mr. McCandless. We're going to submit some others to you. Our time is quickly moving away from us. We want to thank you and the gentlemen that accompanied you here today, and I would like you to know that this is a very important concern for this committee, so we'll be continuing followup activity in terms of getting to understand this problem and how it can be most effectively dealt with. Thank you for coming, Mr. Johnson.

Mr. JOHNSON. Thank you. I would like to make one closing comment. I think that you have rendered a major service shedding some light on this, and as you indicated previously, this is just a start. Both AID and WFP have indicated that improvements are going to be made. I think, at some point, the effectiveness of those improvements need to be looked at again.

Mr. CONYERS. Thank you very much. Our next panel includes Mr. Stafford of AID; Ms. Kimball, State Department; Ms. Chambliss, Department of Agriculture.

Mr. Douglas Stafford is Assistant Administrator for Humanitarian Response, who has worked for the United Nations overseeing emergency refugee situations in a variety of countries.

Ms. Kimball is Deputy Assistant Secretary for Global Affairs, U.S. Department of State; and Ms. Chambliss is the Director of the Program Analysis Division, Foreign Agricultural Service in the Department of Agriculture, and has worked extensively with Public Law 480.

Ladies and gentlemen, we welcome you here, and we have your statements that will be reproduced in their entirety. We would like now for you to summarize your statements, and we'll start with you, Mr. Stafford.

STATEMENT OF M. DOUGLAS STAFFORD, ASSISTANT ADMINISTRATOR FOR HUMANITARIAN RESPONSE, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT [USAID]

Mr. STAFFORD. Thank you, Mr. Chairman. In 1980, I was controller of AID, so financial controls are something that are extraordinarily dear to my heart. I spent 10 years as the director of administration and working with financial matters of UNDP before going on to being the deputy high commissioner for refugees in Geneva and working, I might say, almost on a daily basis on operational matters with the World Food Program.

Mr. Chairman, members of the subcommittee, I am honored to appear before you today to testify on U.S. donations to the World Food Program. GAO's final report provides many valuable insights into WFP's management problems. USAID and WFP must do a better job in meeting our responsibilities. I assure you we will.

Even before GAO issued its draft, some progress had been made in what we recognize were key management areas. Since seeing the report, we have had extensive contact with WFP's senior management. As a result, both organizations have taken steps to ensure a comprehensive management reform program.

Through this review, GAO and the Congress have stimulated a renewed commitment by USAID and WFP to improve performance. We must strengthen the World Food program because it is in our vital interest. World Food Program manages the largest multilateral food assistance program in the world.

In 1992, at the time of the review, WFP fed over 42 million needy people. Its work is all the more vital because of the rising number of emergencies, natural and man-made. The total tonnage of the World Food Program has nearly doubled within the past 5 years, and the World Food Program's yearly budget, as you pointed out, sir, is now at a staggering $1.7 billion.

World Food Program manages most of the food assistance going to Bosnia and Somalia. World Food Program is the forefront of the response to the tragic slaughter in Rwanda. WFP will help the United States and other donors respond effectively to the increasing serious drought situations in the Horn.

In short, WFP is close to indispensable. No other single organization has the commodity, procurement, and logistical skills. Its programs have saved literally millions of lives.

I have recognized the seriousness of the food losses GAO has described. However, it is only fair to acknowledge that the international community has asked a great deal of WFP. As its programs have grown more complex, political emergencies have arisen to threaten the post cold war peace.

In response, the focus of WFP has to change the emphasis from one of development programs to emergencies. GAO has acknowledged the difficult management problems created by the changed environment confronting WFP. However, USAID believes these factors deserve more emphasis than found in the final report. I would like to outline these problems, sir, briefly. They're important to the understanding of what course we should take.

First, WFP has been forced to change its basic character as an institution. Just 3 years ago, 60 percent of WFP's budget was allocated to development projects such as food for work. However, with the dramatic increase in emergencies, the reverse is now true in 1993. Over 60 percent of WFP's budget was allocated for emergencies and refugee programs.

Total U.S. Government contributions in fiscal year 1993 amounted to nearly $600 million, with 60 to 70 percent allocated for emergencies and refugee feeding programs. Emergency food aid management requires skills and procedures strikingly different from the management of development programs.

Second, many of the recent emergencies have arisen in countries where there has been severe security problems. Either there has been no government, as in Somalia, or the government has been one unable to control the entire country, as in Ethiopia at the time of the GAO review.

The very recent GAO report on U.N. humanitarian operations in Bosnia found that the problems of security and limited access significantly affect the relief operations and monitoring as well as protection of relief supplies and tracking food aid deliveries to the ultimate customer.

Security problems compound commodity management problems. Ethiopia is an example. For most of 1992, the World Food Program convoys and staff could only move, if at all, with armed escorts, if necessary to airlift food to some parts of Ethiopia, because it was unable to send road convoys. Staff were murdered—10 in southeastern Ethiopia alone. Trucks high land mines. Commodities were extorted and stolen. Tracking and reporting on relief supplies suffered.

The third problem WFP has faced is a lack of resources for administration and oversight, one which Mr. Johnson alluded to. Even while its commodity budget was growing and the focus of programs shifted sharply to emphasize emergencies, the former WFP executive director adhered to a policy of no growth for administrative budgets. As a result, resources were not available to mount the necessary improvements in accounting, monitoring, and oversight systems. The zero-budget-growth policy complied with U.S. Government policy for all U.N. organizations at the time.

WFP financing systems have complicated the problem. Nearly all the financing for administration and management comes through voluntary pledges, rather than through assessed contributions. A complex and rigid system has developed in which donors earmarked resources for specific programs. The central administration budget is, in a way, simply a residue of what's left over after the earmarking, and this central administrative budget is key to these monitoring and accounting procedures that we want, sir.

The United States, for example, is the leading donor. However, only a very small portion of U.S. resources take the form of cash that can be used for central administration and management. We contribute approximately one-third of the commodity budget, but less than 2 percent of the central administration budget. I would submit this is pennywise and poundfoolish.

GAO has acknowledged this issue of financing as raised by WFP. However, since it was outside the scope of the review, GAO did not assess the impact of shortages in the management budget on the World Food Program operation. Nevertheless, this is an important issue for both WFP and the U.S. Government, and one which USAID has been actively pursuing. We expect to make proposals to Congress to solve this problem one way or another, in conjunction with the upcoming revision of the Agricultural Act.

I want to emphasize again that I have not laid out the problems confronting WFP as an excuse for the commodity losses and the lack of oversight GAO has reported. Rather, I have done so to point out that the origins of many of WFP management's problems lie beyond the capacity of the organization or any one donor to fix it independently. As the largest donor, the U.S. Government and USAID, in particular, bear a special responsibility to insist upon better support.

It's also important to note that progress has been made since GAO conducted its review. USAID and WFP are fully aware of the need to improve management accountability and oversight. The GAO report added further impetus to this effort.

For its part, USAID has made a special effort to improve its oversight of the WFP portfolio. We have sent guidance to USAID field missions reflecting field management responsibilities. In addition, USAID has prepared a comprehensive set of position papers on all new development projects for the 1993——

Mr. CONYERS. Excuse me, Mr. Stafford. We have been summoned to the floor.

Mr. STAFFORD. Yes, sir.

Mr. CONYERS. If you could summarize your statement, and then we would like to get Ms. Kimble and Ms. Chambliss' summaries in, and then we will recess and come back and ask the questions.

Mr. STAFFORD. Yes, sir. If I could, sir, the only thing that I would add is, I have pointed out there is a historic record here. There is one of imbalance in terms of spending management money to make sure that these management systems are in order. I think we have to address that.

I would also say that I think the two organizations have begun to take this exercise extraordinarily seriously, that it does lay within our hands to do something about the situation, that the United States and other donors—and we can gather other donors, because

we do represent the leadership position—are going to be able to have an impact on the procedures of WFP.

I also feel that Ms. Bertini, the new American that is in WFP, is sensitive to these matters. She is an American- trained administrator; she is concentrating now on the accounting areas. I think she will put the personnel and the systems in place that we need to get the accountability that we want.

Mr. CONYERS. OK.

Mr. STAFFORD. I think we have remedies, sir, if we push for remedy, and I would leave it with that, Mr. Chairman.

[The prepared statement of Mr. Stafford follows:]

Testimony

of

M. Douglas Stafford

Assistant Administrator

Bureau for Humanitarian Response

U.S. Agency for International Development

Before the

Committee on Government Operations

Subcommittee on Legislation

and National Security

U.S. House of Representatives

May 5, 1994

Mr. Chairman and members of the Subcommittee, I am honored to appear before you today and welcome the opportunity to testify on United States donations to the World Food Program (WFP).

The General Accounting Offices's final report on this topic provides many valuable insights into WFP'S management problems. The U.S. Agency for International Development (USAID) and WFP must do better in meeting our responsibilities, and we will.

Even before GAO issued its draft, real progress had been made in what we recognized were key problem areas. Since seeing the report's findings and recommendations, we have had extensive contact with WFP's senior management officials; and we have both taken steps to ensure a comprehensive management reform program is introduced. Through this review, GAO and the Congress have stimulated a renewed commitment by USAID and by WFP to improve performance.

I particularly want to express my appreciation to GAO for its willingness to incorporate several recommendations made by USAID on the draft report. Most important, GAO has accepted the Agency's position that USAID accounting and audit standards could not be imposed on WFP because it is an agency of the United Nations. This is crucial because it permits USAID to pursue a constructive dialogue leading to WFP management improvements. It permits us to approach reform in a manner consistent with the regulations and policies of the UN. In the end, I believe it is the surest route to full implementation of GAO's recommendations.

We must strengthen the World Food Program because it is too important a multilateral institution to abandon or let languish. WFP manages one of the largest food assistance programs in the world. In 1992, at the time of the review, WFP provided $1.7 billion of food to support development projects in 90 countries and to supply 60 percent of all international emergency food relief. WFP fed over 42 million people in 1992. Moreover, WFP's program continues to grow--total tonnage delivered has nearly doubled in the last five years.

In short, WFP is close to indispensable. No other single organization has the commodity procurement and logistical management skills of WFP. Its programs have saved millions of lives.

It is only fair to acknowledge that the international community has asked a great deal of WFP. **As its programs have grown, more complex political emergencies have arisen to threaten the post-Cold War peace. This has required a radical change in assistance delivery and has made an already challenging job more difficult. In response, the focus of WFP's programs has changed to emphasize emergency relief.**

GAO has acknowledged the difficult management problems created by the sudden onset of this difficult international environment. However, USAID believes these factors deserved more emphasis in the final GAO report. They would have helped explain some of WFP's problems, and better set the context for major reform.

I would like to outline these problems briefly, Mr. Chairman. They are important to understanding what course we should take in the future.

First, WFP has been forced to change its basic character as an institution. For most of its existence, WFP has been a development organization. Just three years ago, 60 percent of WFP's budget was allocated to development projects. Staff expertise and management structures were focused primarily on development issues. However, with the dramatic increase in emergencies, the reverse is now true--in 1993, over 60 percent of WFP's budget was allocated for emergencies and refugee programs. Total U.S. Government contributions in FY 1993 amounted to nearly $600 million, with seventy percent allocated for emergencies and refugee programs.

Emergency management, including emergency food aid management, requires skills and procedures strikingly different from the management of regular development programs. This shift to emergency feeding has understandably strained WFP's management capacity. Additional stress has resulted from the near doubling of the total program over the past five years.

Second, many of the recent emergencies have arisen in countries where there have been security problems with distribution of food and where local governmental control has been weak or non-existent. The traditional arrangement for development projects for WFP has been to task the host country with major implementation responsibilities. This worked well for such countries as India, which was singled out for praise in the GAO report, and Sri Lanka. However, with many of the more recent emergencies, there has been no government, as in Somalia, or the government has been unable to control the entire country, as in Ethiopia at the time of the review. As a result, WFP has been forced to put together a variety of jury-rigged implementation arrangements.

In these situations, security problems have naturally served to compound commodity management problems. Ethiopia is an example. For most of 1992, WFP convoys and staff could only move, if at all, with armed escorts. It was necessary to airlift food into parts of Ethiopia because it was unsafe to send road convoys. Staff were murdered (ten in southeastern Ethiopia alone), trucks hit land mines, and commodities were extorted and stolen.

WFP has had to do the best it could under these trying circumstances, coordinating its efforts with private voluntary organizations. I am convinced other management arrangements would have encountered similar commodity control problems. The alternative would have been to refuse to deliver assistance and, as a result, to see

large numbers of refugees and displaced persons starve.

The third major problem WFP has faced is lack of resources for administration and oversight, coupled with the rigidity of its own financing system. Even while its commodity budget was growing and the focus of its programs shifting sharply to emphasize emergencies, the then WFP Executive Director adhered to the policy of "zero-real-growth" for administrative budgets of the Geneva Group of donor countries. Under this policy, no real increases in WFP's central Program Support and Administration (PSA) budget were requested. As a result, resources were not available to mount necessary improvements in accounting, monitoring and oversight systems. This policy complied with general U.S. Government policy for all UN organizations, but negatively affected WFP's ability to manage resources as effectively as it should.

WFP's financing system has complicated the problem. Since WFP is a voluntarily funded agency of the UN, nearly all its financing for administration and management, i.e., the PSA budget, comes through voluntary pledges rather than through assessed contributions. A complex and rigid system has developed in which donors earmark "administrative" resources for specific programs. The central PSA budget is, in some ways, a residual of funds left over after this earmarking.

The United States, for example, is the leading donor and utilizes WFP heavily to implement emergency and refugee programs. However, only a very small portion of U.S. resources are used for central administration and management. We have adhered to a longstanding U.S. policy that the United States provides food and related transportation costs and other donors should be relied upon to finance central administrative costs. However appropriate such a policy may sound, it appears not to have yielded adequate funding for WFP management.

GAO has acknowledged this issue of financing as raised by WFP. However, since it was outside the scope of the review, GAO did not assess the impact of constrained resources available for management on WFP's operations. Nor did GAO make recommendations on this topic. Nevertheless, this is an important policy issue for both WFP and the U.S. Government, and one which USAID has been actively pursuing. The U.S. contribution to WFP from the State Department's International Organizations and Programs account--the only amount allocated for central administration and management--has been increased from $2 million in FY 1993 to $3 million this fiscal year. This will meet only a small portion of the need, but is indicative of U.S. recognition of the problem.

I have not illustrated the problems confronting WFP as an excuse for the commodity losses and lack of oversight GAO has reported. Rather, I have done so to point out that the origins of many of WFP's management problems lie beyond the capacity of the organization to fix independently. WFP operates in a very complex

and difficult environment. As the largest donor, the U.S. Government and USAID, in particular, bear a special responsibility to insist upon and support better performance.

It is also important to note that much progress has been made since GAO conducted its review. It will take time for these management improvements to be fully implemented, and more work still needs to be done. However, USAID and WFP itself have been fully aware of the need to improve management, accountability, and oversight at WFP. The GAO report has added further impetus to this effort.

For its part, USAID has made a special effort to improve its oversight of the WFP portfolio. Since the review, USAID's representative in Rome has sent guidance to USAID field posts reflecting current priorities and reminding missions of the importance of the significant U.S. investment in WFP.

In addition, comprehensive position papers for all new development projects were prepared for the 1993 meetings of the WFP Subcommittee on Projects (SCP). This was possible because, for the first time, WFP distributed policy and project documents well in advance of the review meetings. The quality of input for these papers from both USAID field missions and from Washington was seen as high. Other donors commended the U.S. delegation on the excellent preparation for the project review meetings in 1993.

In preparing these papers, USAID adopted the model used since 1990 for each protracted refugee operation. The U.S. example on protracted refugee operations has stimulated other member states to make a stronger effort to analyze refugee projects and has resulted in more careful consideration of these activities.

In addition, the issue of WFP management problems and the GAO report were raised by the U.S. representative in statements to the October 1993 Committee on Food Aid Policies and Programs (CFA) meeting. The U.S. delegation strongly supported the 3 percent increase in the WFP administrative budget which was approved in order to finance improvements to accounting and reporting systems. Needed changes were also discussed by U.S. Government attendees at an informal meeting of donors in Oslo last month. All donors at the Oslo meeting acknowledged the critical need to improve financial and commodity management. A decision was made to propose placing this matter high on the agenda for the meeting later this month of the CFA.

I will be heading the U.S. delegation to the CFA. Mr. Chairman, I assure you that improved management in accord with the recommendations of GAO will be my highest priority.

For its part, WFP has recognized how important it is to improve its financing, accounting systems and management procedures. The new Executive Director, Catherine Bertini, is a U.S. citizen. Having had time to understand the full range of

policy and program issues confronting WFP, she has dedicated the current year to strengthening management. She has welcomed both the recommendations of the GAO and USAID's offers of assistance.

Additional staff is being added, including field controllers, financial analysts and auditors. Recruitment is underway for a new chief of finance and administration. USAID has strongly encouraged the hiring of someone familiar with Western accounting principles and practices. We understand several Americans are among the candidates under consideration for this critical position.

A review of financial operations is underway, and a new financial management system is envisioned which will satisfy both WFP's financial management needs and donors' reporting requirements. The long-term financing of WFP will be one of the central topics of this month's and next Fall's CFA meetings of donors on WFP policies and programs. WFP is also making many of the changes in reporting systems recommended in the GAO study.

As an example of actions taken at the country level, in Ethiopia WFP has expanded its international staff by 40 percent and its local staff by 30 percent since the time of the GAO report. These increases have allowed WFP to open four sub-offices in Ethiopia to improve commodity management and reporting. Also, GAO's concerns over shared responsibilities between WFP and the United Nations High Commissioner for Refugees (UNHCR) have been resolved in a new memorandum of understanding which sets out clear lines of responsibilities between the two organizations in determining eligible refugee populations and monitoring and control of food distribution.

In summary, GAO reported real problems with the management of WFP programs. Progress has been made since the time of the review by both USAID and WFP. However, more needs to be done, and USAID acknowledges its responsibility to ensure additional management improvements are introduced rapidly.

In regard to GAO's specific recommendations, I would simply say USAID agrees and will work with WFP to see they are implemented.

On February 7, 1994, I sent the Executive Director of WFP a letter detailing the main policy and management issues the United States saw confronting WFP. In that letter USAID acknowledged that important issues were raised by GAO and that effective action was required. USAID agreed to work with WFP on the following matters:

- -- improving systems for calculating overhead costs in emergencies;
- -- strengthening standards of accounting and reporting for recipient countries, both governments and PVOs;
- -- improving the accuracy of reporting losses;

-- systematizing reporting on actions taken to address losses;
-- improving training for WFP staff in program monitoring and accountability and in emergency response;
-- strengthening the internal auditor's function, to including follow-up action on negative audit findings; and,
-- ensuring that WFP has adequate resources to immediately investigate reports of waste, fraud and abuse.

Improvements in these areas of management will go a long way toward responding to GAO's concerns about accounting and oversight at WFP. I understand WFP is preparing a formal response which will indicate its concurrence and restate the Executive Director's commitment to improved management.

The GAO specifically recommended in its final report that:

I. The Administrator of USAID and the Secretary of State should direct the head of the U.S. delegation to WFP's Committee on Food Aid Policies and Programs to work with other delegations and WFP's Executive Director to (1) develop effective procedures with strong internal controls for distributing, monitoring, and safeguarding donated commodities; (2) require complete and accurate commodity loss reports to donors on a project-by-project basis; (3) include in WFP's project evaluations commodity management problems and actions taken by WFP to correct project deficiencies; and (4) require annual reports to the Committee on the status of principal external and internal audit findings and recommendations affecting the program.

USAID supports these recommendations and will work with the Committee on Food Aid Policies and Programs (CFA) to accomplish their objectives. As indicated above, USAID has already begun to discuss this matter with senior WFP officials. Additionally, as noted, at the last CFA the U.S. delegation strongly supported an increase in the administrative budget of WFP to support improvements in monitoring and accountability, and we are beginning to see the results as I have testified.

II. To strengthen the U.S. delegation's ability to assist WFP in establishing more effective accountability procedures, GAO also recommends that the Administrator of USAID:

-- **require missions to fulfill their requirements to periodically assess and report on host government and WFP capabilities to manage and monitor WFP projects, and**
-- **require that the U.S. delegation to WFP develop comprehensive position papers on WFP project proposals, including comments on host government capabilities, to ensure adequate accountability practices for presentation and consideration at the Subcommittee**

on Projects.

USAID also agrees with this recommendation. Updated guidance to our missions on their responsibilities for WFP projects is now being prepared. As discussed above, improvements in project reviews for the Subcommittee on Projects have already been introduced, and USAID will continue to work to improve the effectiveness of its presentation to the Subcommittee.

III. To improve U.S. responsiveness to WFP emergency operations, GAO recommended that the Administrator of USAID:

- **establish a system to expedite the approval of WFP requests for emergency food aid, and**
- **on a test basis, pledge a limited amount of Title II commodities to WFP's International Emergency Food Reserve.**

USAID is introducing measures which will improve U.S. responsiveness to WFP emergency operations. In several recent appeals, including those for Bosnia, USAID has utilized the Department of Agriculture's expedited procurement procedures. USAID is also developing guidelines on when to use the "notwithstanding" authority in P.L. 480 to waive legal and regulatory restrictions. USAID is also introducing a new reporting system which will better document the U.S. response to WFP emergencies.

As recommended by the GAO, USAID will re-examine the possibility of changing the long-standing U.S. policy against contributing to the International Emergency Food Reserve. In considering this possibility, the United States will need to carefully consider resource availabilities and to ensure that U.S. emergency priorities continue to be met.

Finally, it is important to note, as GAO has acknowledged, that the current system of responding to emergencies has proven very flexible. It has allowed both the U.S. and WFP to adjust to changing priorities. Most important, GAO found no evidence that U.S. response time caused victims of emergencies to go without food.

In closing, I want to say that WFP has done heroic work in many parts of the world. In the drought in Southern Africa two years ago, it played a leading role in saving millions of lives. In Bosnia today, WFP feeds the displaced victims of a brutal war. In the Horn of Africa, we will need WFP once again to move massive amounts of food to save victims of drought and civil unrest.

This GAO report has already made a major contribution to improving the performance of this essential organization. It is difficult for auditors to strike the right balance in working on the programs of international organizations. In the future, I believe we will all look back on this report as one which made a major contribution and established a

standard for this sort of work.

Mr. Chairman, I hope I have been clear about the importance of the World Food Program. Millions of lives depend on its effectiveness. I hope I have been equally clear about USAID's commitment to improving management at WFP. I would welcome the opportunity to appear before you again to report on progress.

Mr. CONYERS. Well, thank you very much. We will be following the thrust of your comments and your written statement, as well. We thank you.

We have, from the State Department, the deputy assistant Secretary of State from the Bureau of International Organizational Affairs, Ms. Melinda Kimble.

I hate to put you under these constraints, but could you just pull out the several points that are very critical to your statement, and then we will come back and discuss them with you.

STATEMENT OF MELINDA L. KIMBLE, DEPUTY ASSISTANT SECRETARY FOR GLOBAL AFFAIRS, U.S. DEPARTMENT OF STATE

Ms. KIMBLE. Yes. Thank you, Mr. Chairman. I will try to be as brief as I can.

Over the last few years, in response to the World Food Program's cash shortage, the Bureau of International Organizations Affairs has made an effort to contribute additional cash to WFP. This includes $2 million 1993, $3 million in 1994, and we have a budget request in 1995 for $2 million.

The World Food Program has proven to be one of the largest and most cost-effective programmers of grant assistance and multilateral assistance. It has the capacity to respond not only in food emergencies, but also in designing successful sustainable development programs that strengthen ag systems and food security.

World Food Program's successes over its life translate into millions of lives saved. Where inadequate monitoring and evaluation systems fail to sustain this engagement, we must quickly correct that.

In recent years, the World Food Program personnel have indeed been on the front lines of global emergencies, and we believe it is essential to strengthen this indispensable instrument. The World Food Program has become increasingly cash short as they have moved into ever greater amounts of emergency food. As its responsibilities have increased exponentially, the cash that the World Food Program needs for administrative purposes has not kept pace.

In recognition of this problem, we have begun to use our international organizations and programs account, now the multilateral voluntary contributions account, to support these activities. This problem, in the past, contributed to at least part of the management problems identified in this evaluation, and ensuring proper cash-commodity balance in our future contributions should help resolve it.

The GAO recommendations are right on target, given the problems highlighted in the project study by the GAO team. In 1992, State, like AID and USDA, is committed to helping WFP strengthen its accountability. The new World Food Program management team, which has been formed since the 1992 GAO evaluation, has identified many of these problems and is working to correct them.

For example, additional food resources have been allocated to improve financial management in the field and to enhance accountability at WFP headquarters, including a doubling in the number of internal auditors and a greater emphasis on commodity control and accountability. State, AID, and USDA will continue to work through the committee on food aid to ensure these changes yield

results. However, the basic problem remains. The World Food Program needs more cash to fully fund its administrative requirements.

There are also problems beyond the ones identified in this report that we must ultimately address. World Food Program is now responding to roughly three times the food aid emergencies we saw in the mid-1980's. Moreover, as the caseload is rising, food availability for global overstocks is decreasing. The new market structures emerging in the world will reduce grain stock surpluses.

This development occurs at a time when the World Food Program faces 15 or more food aid emergencies annually, as opposed to the average four or five we have seen in the past. We will have many challenges in the years ahead. Unquestionably, however, we must first ensure the effective management of U.S. food aid contributions through better monitoring and evaluation mechanisms in order to sustain congressional support for these critical multilateral instruments such as the World Food Program.

Thank you.

[The prepared statement of Ms. Kimble follows:]

Statement of
Melinda L. Kimble
Deputy Assistant Secretary of State
Bureau of International Organizations Affairs
Department of State
Before The Legislation and National Security Subcommittee
Committee on Government Operations
U.S. House of Representatives
May 5, 1994

Mr. Chairman:

As the representative of the Department of State, I welcome the opportunity to join colleagues from the Agency for International Development and the Department of Agriculture in commenting on the GAO's report on U.S. donations to the World Food Program. The Department of State has been a relatively small contributor to the Program: the Bureau of International Organizations Affairs contributed $2 million for the administrative budget and the Bureau of Refugee Programs contributed $9.6 million dollars for protracted refugee and emergency operations in FY 1993. We plan to contribute $3 million in 1994 and the budget request for 1995 is $2 million. These contributions, while small, are symbolic of our strong support for the goals and objectives of the World Food Program, recognize the severe cash shortfalls of the WFP in recent years, and are vital to the Program's efficiency and continued effectiveness.

Having carefully reviewed the report, I fully concur with the basic thrust of GAO's recommendations to improve program management and will guarantee State's close cooperation with both USAID, USDA, and the WFP to improve attention to, and monitoring of, the Program's resources. We believe the new team at WFP is developing the skills to put these

recommendations into effect. I would like to comment specifically on the unique history of the Program and its consequences for the organization including the accounting weaknesses cited in the GAO's report.

At its inception in 1963, few could have foreseen the breadth of the World Food Program's current activities. From an experimental idea shared by twelve nations, WFP has grown to become a major provider, indeed, the largest annual provider of grant assistance to developing countries within the UN system, as well as the principal channel for the provision of relief food aid. In playing this dual role, WFP is at the forefront of the UN system's attack on global hunger and poverty. Over the past thirty years, WFP has invested more than 40 million tons of food -- an equivalent of $13 billion dollars -- to combat hunger and promote social and economic development throughout the developing world. Today, WFP annually disburses some $1.5 billion dollars in food commodities to developing countries and its results are visible in the millions of lives saved all over the world.

In addition, WFP has a 30 year tradition of environmentally sustainable development projects and is currently the largest provider of grant assistance for environmental activities with $1 billion in resource commitments to ongoing activities that range from combating poverty to health education encompassing

every ecosphere from mountains to oceans. WFP mobilizes the equivalent of $1 million daily in food aid to promote forestation and soil conservation in support of environmentally sustainable agricultural production.

WFP is a prime instrument through which the U.S. Government provides multilateral food aid to hunger-afflicted populations around the world. Through P.L. 480 and Section 416(b), U.S. agricultural commodities are channeled through the WFP for development projects and relief operations. As a highly respected international food aid agency, WFP helps to achieve humanitarian objectives, such as the distribution of food relief in conditions of civil war, which are often impossible through U.S. bilateral channels. For example, WFP has and continues to negotiate access rights for food aid deliveries in the Sudan with the Government and rebel groups. Through a memorandum of agreement with UNHCR, WFP has assumed responsibility for provision of food to refugees from such areas as Liberia, Mozambique, and the former Yugoslavia. It is through this agreement that WFP has provided 60 percent of emergency food relief to Bosnia. With WFP now under the leadership of an American Executive Director, Catherine Bertini, U.S. reliance on the agency to respond to humanitarian emergencies is increasing.

WFP now faces unprecedented demands for emergency humanitarian food aid in various conflict zones, and in the African continent, in response to civil strife and severe drought. In the past year alone, an estimated fifteen million people received food through WFP-assisted development projects and emergency relief aid assisted 28 million victims of natural and man-made disasters on every continent. The U.S. provided over $500 million in commodities and cash to realize these objectives.

WFP's proven ability to carry out large-scale emergency operations successfully has given rise to increased expectations by the global community. However, because WFP operates exclusively through voluntary contributions of commodities and cash from governments, and is, therefore, dependent on donor pledges to finance the delivery of food aid for development and to meet its support and administrative costs, WFP is now facing severe difficulties in terms of both food and cash needs. Commitments to development projects exceed the amount of food actually pledged under the Regular Program. Cash contributions remain below the aggregate one-third required under WFP guidelines. The increased need for emergency humanitarian relief, combined with its development commitments, has strained the pocketbook of the World Food Program to the point that it cannot expect to cover either operational or administrative costs at the current level of expenditure and earmarkings. It

is pertinent to point out that although the value of WFP's activities has more than doubled from $800 million in 1986 to $1.7 billion in 1992, its administrative expenses have been kept to less than 10 percent of its annual disbursements, making WFP one of the most, if not the most cost effective programmers in the multilateral system.

This resource crisis has not caught the WFP by surprise. Unfortunately, the seeds of WFP's troubles can be found in its unique structure - being accountable both to the Secretary General and to the Director General of the FAO. In previous years, FAO and WFP leadership battled for control over the Program. Inter-agency wrangling prevented the development of a strategic plan for WFP, and consequently, created the financial pitfalls of today. Today, I am glad to say, most of these problems are behind us.

Much has been said about substituting NGO programmers for WFP. I am not convinced this is feasible. NGOs and WFP are partners, not competitors. Does it make sense to reconstruct the operational stockpiling and delivery network WFP has in place outside the UN system? Moreover, can NGOs operating under the same circumstances provide better monitoring and accountability? In this case, I point to Somalia where I am familiar with the losses and monitoring problems that plagued all donors and programmers of food aid. This is not to suggest

we don't need accountability, we do. And the State Department and my other colleagues are committed to putting these mechanisms in place at WFP.

It would be remiss of me not to recall to the Committee the level of professionalism and courage that has been exhibited by WFP employees around the world. WFP staff was killed by land mines in Angola in 1993; WFP trucks have been confiscated or turned back by Serbs in the former Yugoslavia; WFP workers faced down threats against their lives in Mogadishu; they continued to transport supplies to northern Iraq despite the pressures and harassment of Iraqi authorities; and they were evacuated from Kigali, as some of the last to go. WFP people are the front lines of the war against hunger and privation and to them we owe our recognition and our gratitude.

It is in this atmosphere in which they operate that I ask you to examine WFP's operations and the importance of its continued and healthy existence to the United States. Starvation and malnutrition are increasing in absolute terms despite some global improvements. Global food security looks increasingly tenuous. Rice and grain production is declining in some areas. We are paying a huge price for the lack of broadly supported international programs for sustainable agriculture. The cost can be counted in terms of disaster after disaster requiring immediate, expensive, short-term fixes in mass refugee

movements, immigration flows, and environmental degradation.

The future is not promising. Emergency relief on a massive scale may well be necessary into the next millenium. Of the 44 countries judged by FAO to have critical food security problems, 31 of them are in Africa. If this trend continues, the number of chronically under-nourished in sub-Saharan Africa will nearly double, rising from 180 to 300 million in the next 14 years. WFP's expertise will be necessary to save millions of lives with fewer resources, if, as I suspect is true, other major donors besides the United States will face decreasing food surpluses.

I would like to point out here that food aid has a unique character that places it apart and often above purely monetary aid. Food is tangible, it is real, and it leaves an indelible impression on populations in need. Cash is more easily diverted or stolen and in many countries represents little to communities steeped in traditions of exchanging bundles of grain for other items. Women become more actively involved when food baskets are the inducement rather than cash. Women and children fare better as well, when they are the ones to whom food is directly supplied.

The GAO Report at issue today can be an instrument for improving multilateral food aid response but it must also be viewed in a

larger perspective with important elements that were obviously outside the scope of the study conducted. It is an essential stock-taking effort however, to help us make WFP stronger and more effective in this decade as we position ourselves to face the challenges of the 21st century. It is critical that we work with our multilateral partners in developing new approaches to food aid for development and for relief. It is especially critical that we ensure a strong, well-financed World Food Program to continue on the front lines in addressing food crises.

Mr. CONYERS. Thank you for your summary. I know you could have gone a little bit longer. We now have a few minutes for Ms. Chambliss of Agriculture to put her impact of this problem from the point of view of the State Department.

STATEMENT OF MARY T. CHAMBLISS, DIRECTOR, PROGRAM ANALYSIS DIVISION, FOREIGN AGRICULTURAL SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Ms. CHAMBLISS. Thank you, Mr. Chairman. I think I will do it from the point of view of the Department of Agriculture.

Mr. CONYERS. I'm sorry, the Department of Agriculture. Excuse me.

Ms. CHAMBLISS. And I will try to be exceptionally brief, because I see you looking at the clock.

My colleagues have basically said many of the same things that are in my testimony. I would just like to briefly clarify Agriculture's interest, concern, and support for the World Food Program.

In addition to the function you specifically mentioned, where we procure the commodities for the World Food Program, we also, in recent years, have made significant donations of our own USDA commodities, in the last 2 years exceeding $200 million worth of commodities. In making those donations, we have sought, within the authorities we have, to provide all of the funding that is necessary to actually move and use food productively. Unfortunately, our authorities in the farm bill are limited.

That brings me to the last point that I just wanted to highlight, and perhaps we can discuss it further. In the context of 1995, we anticipate that Congress will be redrafting omnibus farm legislation.

That farm legislation, in addition to all the domestic things it covers, does include the authorities for the three food aid programs we have, two of which allow, at the present time, donations to the World Food Program, one of which does not allow donations to the World Food Program. However, that is the one specific food aid authority that does give us funding access for administrative costs.

It seems to me that these are some of the kinds of problems in our food aid legislation that we might want to consider to see if we can find the resolution of what I believe is the fundamental cash problem of WFP to address what GAO has so clearly identified we need to address.

Thank you, Mr. Chairman.

[The prepared statement of Ms. Chambliss follows:]

TESTIMONY OF
MARY T. CHAMBLISS
DIRECTOR, PROGRAM ANALYSIS DIVISION
U.S. DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE
TO THE LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE
COMMITTEE ON GOVERNMENT OPERATIONS
MAY 5, 1994
WASHINGTON, D.C.

Mr. Chairman and honorable Members of the Subcommittee, I appreciate this opportunity to appear before you to discuss the GAO report on U.S. donations to the World Food Program (WFP). I am pleased that USDA has been given the opportunity to discuss the report since we have donated U.S. Government-owned commodities to the WFP under the authority of section 416(b) of the Agricultural Act of 1949(Section 416(b)) and have worked to support USAID in procuring and delivering food aid under Public Law 83-480, Title II, commonly known as PL 480.

USDA ASSISTANCE TO WFP

I would like to share with you some background about USDA's assistance to WFP. I will then turn to the current challenges facing WFP and touch briefly on possible ways to address the issues of accountability and administration raised in the GAO Report.

Since 1983, when the authority of Section 416(b)for overseas donations of U.S. government-owned commodities was reinstated by Congress, USDA has provided to WFP Section 416(b) assistance valued at approximately $728.0 million (which includes commodity value and associated transportation costs). During this period, USDA donated more than two million metric tons of commodities to the World Food Program to assist participants in

school feeding and food for work programs and to help meet the emergency needs of refugees and victims of drought and civil strife.

While commodities available for overseas donation under Section 416(b) are considerably reduced this fiscal year, USDA is making available to WFP approximately 131,000 metric tons of grains and butteroil valued at $51.0 million for emergency assistance in sub-Saharan Africa and the Caucasus region of the former Soviet Union. Last fiscal year, USDA donated 644,000 metric tons of grains and butteroil valued at $198.0 million. Of that total tonnage, 71 percent was distributed in Africa. In the most recent past, we have provided food aid for Somalia, Sudan, Ethiopia, Mozambique, Kenya, Zimbabwe, and Angola. It is likely that there will be no grains and only modest levels of dairy products available under Section 416(b) in fiscal year 1995. It is important to note that the market-oriented provisions of the recent Farm Bills have been successful in greatly reducing the inventories of price-supported commodities held by USDA's Commodity Credit Corporation (CCC). Section 416(b) is the residual user of these inventories and, therefore, is not a predictable source of food aid. If the southern Africa drought of 1992 were to recur today, there would be very limited quantities of Section 416 (b) food commodities available to help cope with the emergency.

WFP'S CURRENT WORLD

The WFP has grown tremendously as an organization since its inception over 30 years ago. Today, the reality of a changing world confronts WFP with the difficult task of

balancing the needs of development against increasing emergency needs within its limited resources. The same challenge faces our bilateral food aid programs. Food emergencies affect tens of millions of people yearly and cause intense and dramatic suffering, especially among women and children. Clearly this is a need to which Americans want to respond to. But there is growing uneasiness about the heavy emphasis on emergency responses and the declining attention to the nearly 800 million people who suffer chronic hunger and malnutrition. This number may only continue to grow unless we have long-term strategies to deal with the root causes of hunger.

As the number and severity of conflicts throughout the world has grown markedly in recent years, WFP has been asked by the United States, as well as other donors, to undertake a heavy workload to manage, monitor, distribute, mediate, and provide food aid services, especially in countries that may be inaccessible to the donors or even private voluntary organizations (PVOs). Consequently, much of WFP's work now has a large element of danger and risk associated with it; staff of both WFP and PVOs have been killed in recent years trying to get food to people in need. Emergency projects are, by their very nature, a nightmare to manage. It is difficult to protect food stocks when all your personnel are surrounded by an armed mob, as was the case for WFP repeatedly in Somalia and again just a few weeks ago in the midst of the slaughter in Rwanda.

In assessing WFP's performance in emergency situations, we must remember that, as an international organization, the WFP must rely to a great extent on host governments as

implementing partners to provide monitoring and accountability services. Unfortunately, many of these governments provide poor services, and corruption is often reported to be rampant. This creates a dilemma - a compelling humanitarian need exists, but the delivery mechanisms are, at best, questionable.

As the WFP Executive Director indicated in her written comments to the GAO, stopping the flow of food only hurts the people who are already suffering, not those responsible for the problems. Thus finding sanctions that work to improve accountability is not an easy task. These are the risks and trade-offs. We must recognize them in the environments in which we work, and we must decide if we will accept this reality or not. There are times, as in Rwanda, when no UN agency, bilateral donor, or PVO can continue to function.

In the last few years WFP has taken on an ever-growing burden of emergency operations in Somalia, the Sudan, Ethiopia, Angola, Mozambique, Bosnia-Herzegovina and some of the Newly Independent States of the former Soviet Union. Civil strife, famine, and other man-made disasters have rendered many of these countries chaotic and desperately violent. Not only is the physical environment unsafe, the prospects for significant monitoring of the food are minimal. In such an environment, the international community must decide whether or not to provide help and then we must accept the administrative limitations that exist.

I think it's fair to state that the United States has frequently made political judgments about the accountability of food aid. We have accepted the limitations of the environments in which WFP so often must work. There are emergencies so horrendous, like Somalia two years ago, that donors simply flood a country with food aid, giving comparatively little attention to controls because food is in perilously short supply and infrastructure is virtually nonexistent.

During this period of intensifying need for emergency food aid, major donors are experiencing greater budget constraints. In fact, the United States and other donor countries have sought, and the WFP has adhered to, a "zero-real-growth" administrative budget. This was consistent with the U.S. Government's policy for all UN agencies. However, I think we did not really appreciate the adverse impact on the staffing, auditing, monitoring, and evaluation functions of WFP of this 'no-growth' policy for administrative budgets. As we have been informed by both GAO and the current WFP Executive Director, we must now face up to the administrative costs that must be borne if food is to be provided to people trapped in chaotic and violent environments.

There are, however, ways in which the U.S. Government has sought to support WFP's efforts to improve its administrative, financial, and accountability infrastructure to ensure adequate management controls to meet both internal and donor community requirements. For example, in the southern Africa drought emergency AID helped keep the logistics on track with its support to WFP and its assistance in developing an effective

telecommunications network among donors and recipients that allowed for better tracking and coordination of food deliveries. While the provisions of Section 416(b) do not currently allow for payment of general administrative costs associated with delivering Section 416(b) food commodities, USDA has used what authority does exist to pay, in the case of emergencies, costs up to and including storage and distribution.

UNITED STATES GOVERNMENT RESPONSE

We agree that the U.S. Government must continue to improve its response time to meet emergency food needs. As we look toward providing food assistance in emergency situations in the future, we must be cognizant of the complexity of managing delivery both in the United States and especially in recipient countries.

In this regard, USDA's Agricultural Stabilization and Conservation Service will continue its efforts to respond expeditiously to requests from AID for all commodity procurements, especially emergency needs. USDA and AID are already coordinating and planning ways to deliver needed food aid more effectively in regions such as the Greater Horn of Africa for fiscal year 1995 programs. We will continue to work with USAID and WFP to improve and expedite our response to emergency programs.

There are steps that USAID and USDA can take to lessen the harm caused by food crises and improve the emergency responses of the United States. Together, we are exploring the feasibility of ideas such as prepositioning

certain commodities either at U.S. ports or at certain designated overseas ports to respond better to critical emergency situations. We will, working with AID staff, carefully consider such proposals with careful attention to the need for adequate security for such stocks, the need for adequate facilities to prevent spoilage-- sometimes not easy to find in tropical, developing countries and finally, the need for agreement on the criteria for the release of such stocks. As always, along with the movement of food commodities come significant administrative and management requirements.

As the GAO report notes, USDA joins USAID and State Department staff in attending the governing board of WFP, the Committee on Food Aid Programs and Policies (CFA) and the Subcommittee on Projects (SCP). The GAO report indicates its belief that the U.S. delegation has not been sufficiently prepared prior to meetings of the CFA and SCP. While there is always room for improvement, we agree with AID that the preparation for the meeting of the SCP and the CFA has been strengthened. The WFP is now submitting documents several weeks before the meeting which facilitates our ability to develop a U.S. Government position. The U.S. delegation now has time to draw on the comments from the USAID missions when writing position papers for project review. USDA has over the years sought to play a constructive role in the U.S. delegations, especially trying to provide some continuity in our representation. We look forward to continuing this productive relationship with officials of AID and the State Department to carry out the specific recommendations of the GAO; an effort, as AID noted in its response to GAO, that is already underway.

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The Department was pleased by Executive Director Bertini's constructive response to the GAO Report. In particular, we noted her move to have emergencies included in systematic reviews by the Evaluation Division and Audit personnel and that those two offices now report directly to the Executive Director. In addition, the number of internal auditors at Headquarters is being doubled and a Field Controller System established to strengthen financial management in the field.

Mr. Chairman, while we support greater accountability from the World Food Program, we also recognize that the program does not have the resources needed to satisfy all such requirements. While the United States has been extremely generous in providing food, we give little money to cover the administrative costs involved in managing that food. Out of WFP's administrative budget of $198 million for the two-year period 1992-93, we gave a bare $3 million.

Congress is expected to consider omnibus farm legislation in 1995. The bill is likely to include the authorities for all U.S. foreign food aid: Public Law 480, Section 416(b), and Food for Progress. This provides an opportunity to review current legislation, which underwent major revisions in the 1990 Farm Bill, to see if additional improvements are possible. For example, under the current Food for Progress authority, the Commodity Credit Corporation (CCC), has funding available for PVOs, including cooperatives, to assist in the administration, sale, and monitoring of food assistance programs to strengthen private sector agriculture in recipient countries. Food for Progress authority, however, does not

include donations to WFP and, thus, this source of funds for administrative costs is precluded for U.S. multilateral assistance. But Section 416(b) authority, which does include donations to international organizations, mainly WFP, does not provide authority for funding the administrative and management costs of delivering this food. There may be other such anomalies in our food aid legislation that we may want to review.

Mr. Chairman, we recognize the increasing magnitude of the problems we face and particularly the need to provide food in emergency situations in a timely and efficient manner. We will continue to work with AID, other U.S. agencies, and international organizations in a concerted effort to use our scarce resources to respond to hunger and suffering around the world.

Again, thank you for the opportunity to appear on the behalf of USDA before your Committee.

Mr. CONYERS. Thank you very much. You're quite right. There are some very large issues hanging under the topic that brings us here together, and we're going to begin working with the relevant committees. I know Agriculture will be one, and Foreign Affairs will be another.

Let us take this recess, and then we will come back and ask some questions. I'm also very interested to know if anyone has any experiences about the feeding programs in Haiti. We will take a short, brief recess.

[Recess taken.]

Mr. CONYERS. Thank you very much. We will come to order. We asked if there has been any effort or any ability to inquire into the humanitarian relief efforts in Haiti. Is there any information on anybody's screen about that one part of the world that is under such oppression? I know we have a food program there.

Yes, Mr. Stafford.

Mr. STAFFORD. Yes, Mr. Chairman, I really hesitate to take the floor, sir. I have the bare bones in the way of information. We have, obviously, worked with Haiti.

I can remember early in the fall the major problem being once the embargo was put in, it was impossible to get fuel into Haiti and, therefore, how would we keep our three American PVOs going, meaning CRS, Catholic Relief Service, and CARE and ADRA.

We were able to work out with the World Health Organization, and PAHO specifically, a way to bring fuel into the port and to distribute to those three organization and keep them going. That has worked reasonably well.

That, obviously, indicates that there are three of the major American PVOs operating in that area. As I recall, CARE operates in the north, ADRA works in the city, and CRS works in the southern part of the country.

We have targeted as goals close to 1 million people to feed, feeding people under wet-feeding programs where, in other words, all the preparation of the food is done.

I think the best that we have been able to achieve in some weeks is up around the 600,000 number and we are still working to improve those numbers. Now, that would be title II, sir, and operating directly with American PVOs.

In a meeting last week which was attended by some of my people, I have discovered during this break that the question was brought up are you receiving any interference whatsoever from hostile parties in Haiti in regard to the disruption of your feeding operation. The answer was no, we are not really running into major problems.

Now, that is hearsay. That's all I have this morning and I, of course, would be more than willing, sir, to look into that further.

Mr. CONYERS. Well, thank you very much. I want to get it into the record because it's an important concern and we are going to be following that particular country and its travails, including how we keep humanitarian assistance flowing to them. We're going to pay close attention.

Now, the World Food Program has a responsibility for assuring proper accountability over donor-provided assistance, but does not

AID have a fundamental responsibility to guarantee that international organizations or NGO's to which it contributes have the capacity to adequately protect taxpayers' money as a way of quid pro quo of continuing to make contributions to these organizations?

Mr. STAFFORD. Mr. Chairman, that would be my understanding. I don't think I could state that much better. There is an obvious, much more direct relationship between AID and its American PVOs, and we work with these major food people—Catholic Relief and CARE and ADRA, World Vision—in numbers of theaters throughout the world.

So, yes, AID has a monitoring responsibility. You brought up earlier, sir, chapter 9, the Handbook 9, which is wholly operative in regard to our relationship on Title II operations. So it would be—I would at this point I would characterize it as a much closer relationship in terms of monitoring and counting and operations than we would have with the World Food Program.

Mr. CONYERS. Well, we have a number of areas where it appears AID is beginning to take action as a result of our inquiries, but what surprises me, Mr. Stafford, is that the lack of accountability is taken so casually until there is an investigation.

These programs are, on one hand, short of cash and without enough support, yet the demand for WFP is increasing. The oversight that I would have hoped that AID would have been conducting is pretty slim up until now.

There is a substantial gap between the oversight which should have been done and what actually occurred. And I just have to tell you on the record that it surprises me that a person of your background and experience did not demand better accountability.

Mr. STAFFORD. Well, if I could again separate the two, sir, so that you and I are clear or I am clear on what you are asking. In regard to American PVOs and the oversight on American PVOs, I think there are reasonable mechanisms. I'm not going to say that they work 100 percent of the time, but most of the time, sir, they do, indeed, work. And there are financial requirements and the PVOs over the years have staffed up to address the accountability issues.

In regard to the World Food Program, as we have indicated this morning, a lot of work needs to be done. And I can't argue with you that perhaps this work should have been done certainly long before I got here. But it hasn't.

The fact of the matter is that it hasn't and I see much need for improvement. Certainly, the director of the World Food Program sees that and I can tell by what you have said to me this morning, the Congress of the United States is rather clear on that item as well. So we've got to get at it.

Mr. CONYERS. Well, I will be looking forward to working more closely with you. And we don't just have the hearings and talk to each other on the record. I want to make our staff and our doors really open so that we can communicate on a lot of things which don't require public hearings.

And I would encourage as much contact as our staff is willing to make with you to help bring these circumstances into a much better state of affairs than they are now or, at least, than they were when we found them.

Now with reference to the Department of Agriculture, USDA commodity donations under 416(b) to the World Food Program is increasing. The USDA donations in fiscal years 1990, 1991, 1992, increased from 12 million to 34 million to 110 million.

Has USDA assessed the World Food Program's ability to account for its donations and are you taking steps to safeguard your part of it, and are there things that the GAO report may have stimulated you to consider or reconsider?

Ms. CHAMBLISS. Yes, Mr. Chairman, to answer your question, the GAO report clearly called to our attention the situation that existed in the World Food Program. As you correctly note, our section 416 donations grew very rapidly. In fact, they grew to a larger number even than the one you have. In 1991/92 we donated almost $400 million worth of commodities. That was primarily to——

Mr. CONYERS. 400?

Ms. CHAMBLISS. 400. It was primarily focused on the southern African drought. We had stocks that the Department owned which we could make readily available to assist in that situation.

Fortunately, that seems to have been a relatively successful operation, I think, due to the work of both AID and the WFP staff and the excellent in-country capability that existed. So we were lucky perhaps in that situation.

We certainly are considerably more aware of the need for monitoring and accountability, although I have to admit in the context of resources in the future because the Department's resources really are the result of a number of factors, particularly our own production, our domestic price situation, and international markets, our resources are going to be reduced considerably next year. They will be very minimal.

That, of course, portends another problem in terms of how we are going to respond to emergency needs with our food aid resources. It lessens our specific problem on future accountability.

We are, however, joining with AID and also with the WFP staff to try to develop a better and additional means of monitoring and accountability for the commodities that we have provided, and this year we were able to provide about 100,000 tons of grains, which will go to help in the various African situations.

So, yes, we found the report helpful. We learned from it. I think over the years we had relied both on the AID expertise and on the WFP expertise, particularly on WFP as primarily a development entity.

We have been giving donations since 1983 to WFP. Our experience with them was primarily in the context of development and in natural disasters. Let us say Bangladesh which Mr. McCandless mentioned, who normally has a structure, an internal distribution management structure that we found works well.

I think when we moved into this era of what I call severe drastic man-made conflict emergency situations, I think we were all caught short in terms of what was needed and certainly in terms of the kind of financial resources that are necessary for administering and managing the movement of large vast amounts of food.

So we found the report helpful and we will work with it and with AID and WFP staff.

Mr. CONYERS. Thank you. I am getting a better feeling from all of you that we are going to see improvement here. I am convinced that it can occur and will under your leaderships.

Ms. Kimble, State Department's support for the administration and management funds of WFP has had a kind of roller coaster existence—2 million in 1993, 3 million in 1994, and now State's request for 2 million in 1995—when the case that is being made here is that we need more cash for management operations.

Can you help clarify that for the record?

Ms. KIMBLE. Yes, I will try. Mr. Chairman, we are faced with an extremely severe budgetary constraints on our multilateral voluntary contributions account and with the need to serve priority funding requests and the Montreal protocol which is growing very rapidly, and also our decision, the administration's decision, to increase funding for the U.N. Fund for Population Activities, UNFPA, this has put tremendous pressure on the account. We find our request levels very tight.

In order to insure that other activities would be funded within the account, we could only request 2 million in 1995. What we hope to do is bring that figure up over the course of 1995 out of our normal reprogramming process. We will try to keep the figure around 3 million to the extent we can.

We don't think that's adequate, Mr. Chairman, and we agree. But under the budget constraints we were working in, this was the best situation we could devise.

Mr. CONYERS. Well, thank you for your explanation and we will try to encourage from our end as much support for keeping that figure up.

I would like now to recognize Mr. Al McCandless for such time as he may consume.

Mr. MCCANDLESS. Thank you, Mr. Chairman. Mr. Stafford, let's start off with you. You seem to have warmed up the platform here this morning.

I spent time in embassies in foreign countries—some of which we aid more than others—in my career here, and I found varying degrees of interest in varying types of subjects, depending upon the individual, a problem that the subject represents, and so on and so forth.

I am getting kind of a picture here that because of the increasing problems of an AID program due to man-made conflict, as Ms. Chambliss pointed out, other than the Bangladesh type of thing where everybody wants to get in and help, that maybe some people who are less prone to want to step out and manage, just say, well, "maybe it will go away" or "I'll do what I can until I get transferred" or something like that, as possibly exemplified by the fact that in the report that GAO made they said in the past 3 years AID has increasingly relied on the World Food Program to manage its U.S. donations.

And I am interested, is this a conscious decision on the part of AID or is it just something that has happened over a period of time?

Mr. STAFFORD. That's a very interesting question, and let me try and answer it as I see it. I have been in my job now, sir, since November 1993 and I was formerly with the agency in the 1970's so

I guess I can answer it from the point of view of a personal perspective, if you allow me to do so.

It seems as though to me that food aid at one point in AID was a significant partner, a significant tool, in the development process. At one point in the agency's history you will find a whole backstop of people known as food aid officers, backstop fifteen.

In the 1980's that backstop was eliminated and, in fact, people that have dedicated their career to this extremely complex subject, because food aid seems very simple when you put the two words together. But by the time you look at all of the ramifications from the ordering, the shipping, and the delivery to the commodity programs, to the food-for- work programs, to the food security issues that it's linked to, it becomes quite a complex situation.

Mr. McCandless. Let me stop you here, if I may.

Mr. Stafford. Please.

Mr. McCandless. You said in the 1980's we eliminated the "back shop?"

Mr. Stafford. The backstop. In other words, a personnel category and number dedicated to food aid itself.

Mr. McCandless. And this was eliminated on sight or eliminated totally throughout the system?

Mr. Stafford. It was eliminated by the agency.

Mr. McCandless. Totally?

Mr. Stafford. Yes.

Mr. McCandless. So you didn't transfer the responsibility from a given location to Washington or some other area?

Mr. Stafford. No, sir. One could say that the hope was that general development officers would pick up that responsibility. And AID at the time was, as it seems to have been overseas, in a mode where it was ratcheting down in terms of its numbers.

But the point of the matter is this very important category of personnel was eliminated from the agency. I would hate to have to think that this has had something to do with the focus that AID has put into this extremely important subject. We are trying to make some headway back on that subject, quite frankly.

Now, as to the phenomenon of transferring to the World Food Program from the American PVOs, I think what you would find there is that there is a reasonable finite capability of how much the American PVOs can handle.

And as we have seen this morning, the World Food Program that started as a development agency into these small development projects has been one that has transferred throughout the years and gone and become more heavily involved in the emergency programs.

So that we turn to the World Food Program as sort of the logistical expertise to move this food. It has had one other distinct advantage of why you use the World Food Program rather than an American PVO, and we talked a little bit about emergencies this morning.

The fact of the matter is when you order grain in a normal way and you transport it on an American bottom to a given situation, you literally are looking at a 4 or 5 months situation from the day you order that food to the day that it gets to a port, to say nothing of the point that it gets to the end user.

How we have been able to cope with those emergencies? We have been able to cope with the emergencies because the World Food Program's pipeline is significant enough, it's large enough, it has enough stored grain in the process going to various places, we have been able to divert food from point A to point B to take care of the emergency.

Mr. McCandless. Let me move on then to the next question here, which parallels this.

Mr. Stafford. Yes.

Mr. McCandless. Let's go back to the GAO report finds that the AID's missions were not assessing whether the World Food project and the host governments could effectively monitor and manage the projects and were generally unaware of serious commodity management problems, including theft of food. Are we saying here that because we did away with a part of the AID organization that those who remain do not have enough in the way of time, ability, management, to discuss things with their counterparts in areas where the host governments are not aware of, or are not monitoring, how these commodities are distributed?

Mr. Stafford. Mr. Congressman, I don't think I could have said that better. It's an empirical guess but, yes, I think, in other words, everyone has ten priorities out there. It seems as though to me in terms of food any relation to developmental responsibilities, the responsibility to monitor food, has become a lesser responsibility. Not in all cases. Certainly not in all cases at all.

Mr. McCandless. Is it common for consultation to take place between representatives of AID at the embassy and their counterparts in the host government?

Mr. Stafford. Oh, yes, sir.

Mr. McCandless. About such things as we are talking here of commodity management, theft, commodities, and what are you going to do about it?

Mr. Stafford. I could not begin to venture how many times that conversation has taken place, sir.

Mr. McCandless. How does AID respond to findings like this when brought before a committee like this for purposes of appropriation or other than the oversight committee we're talking about?

All of you that have been here this morning have said in one way or another, "Boy, this report is pretty much on the ball. It represents pretty much what the problems are and we are now going to do something about it."

As a person who came from the private sector in a very highly competitive business, it is a part of the management responsibility not to have a congressional committee say through a GAO report, "Hey, guys, you've reached a point here where you're getting too sloppy." And you say, "Yes, you're right. We're going to do something about it."

What is falling apart here in the process? Maybe Ms. Kimble would like to respond, or Ms. Chambliss would like to respond and give Mr. Stafford a rest.

Ms. Kimble. I'll try to answer it. I hope that my colleagues will contribute to my efforts. First and foremost, I think it is very important to realize, on, the timing of this report, the programs dealt with in this report, some of which were particularly important

longstanding and complex emergencies, the fact that we continued to have even greater and more complex emergencies over the course of that next year and that we had a concurrent restructuring in the World Food Program and a concurrent change in management, which almost simultaneously with the GAO audit started identifying some of these problems.

Two, to begin with where this started I think might be counter productive, but I would like to point out that when we set up the World Food Program, first and foremost, we started thinking of it as a development agency. The initial monitoring and evaluation and the operations of programs was relatively straightforward.

Frequently, WFP was operating in poor countries but countries where you had distribution systems, good oversight, bigger AID missions, AID had their backstop capacity. Things were going pretty well.

During the course of the 1980's, that changed dramatically and we ran into some big problems, particularly in internal World Food Program operations and, especially, in Ethiopia and the Horn of Africa.

Many of you probably can recall that the Ethiopian famine was a particularly difficult one. The head of World Food Program at the time tried to respond and had some problems in accessing his stockpile and shipping food because of various problems with the then FAO director general.

I don't want to second-guess who was right and who was wrong in that engagement, but the consequence of that engagement was that over the period of time between 1985 and 1989 the USDA, the World Food Program, and the U.S. AID and the Department of State were actively engaged with the entire food donor community in figuring out a way to restructure the World Food Program and insure it could be responsive in emergencies.

And it's clear from this report that we, at this same time, were focusing on the need to build a stronger capacity for emergency response, setting up the pipeline, better management for the emergencies we were going to face. We perhaps neglected to strengthen commensurately the accounting and oversight mechanisms that existed at the World Food Program. I point this out because it's also important to realize that during that period a lot of the base accounting activity and tracking systems were handled by FAO, and the World Food Program hadn't built up the capacity it now has to address the problem.

Restructuring a U.N. system agency takes time. It took us 3 years to start the process. Ms. Chambliss was actively involved in some of this. We finally achieved the complete package, what some people called a "divorce," but it was just basically concentrating new authority in the World Food Program to respond to emergencies.

We barely had that set up in 1992 when World Food Program changed direction. The new management team came in, finally was completely formed over the course of 1993. They have been working with these problems in the last 2 years, and with the change in World Food Program's demands, the shift to emergencies from the development portfolio, they are now trying to address the problem.

So I hope the committee will understand, as we are beginning to, that the complex nature of restructuring the World Food Program and the concurrent demand on it that changed in the course of that period has shaped some of these problems, and we're moving to address them.

Mr. MCCANDLESS. I would like to ask this question to the entire panel. We're back to the audit of the GAO now, and although officials from AID, State, and Agriculture participated on the World Food Program's governing board and approved projects, none of these officials were familiar with the World Food Program's accountability procedures or audit reports.

Is that a fair statement, Ms. Chambliss? We'll start with you.

Ms. CHAMBLISS. That's fine. I would like to go back to your previous question in just a moment and make a comment on that, too.

Mr. MCCANDLESS. All right, fine. Certainly.

Ms. CHAMBLISS. Certainly we were not privy to the audits. As has been indicated here, the internal audits that take place in any U.N. organization are not provided to donors. They certainly are not provided to USDA. In our capacity——

Mr. MCCANDLESS. May I stop you? This was mentioned previously. They are not provided. Can they be requested?

Ms. CHAMBLISS. My understanding—and I think I will have to defer to the Department of State—is that, under the terms of our treaty arrangements with international organizations, internal audits are not provided to donor countries.

We do, however—as was also mentioned, there is an external audit which has taken place every other year. I have been to numerous meetings of the governing board of the World Food Program. Someone—I can't remember if it was Mr. Stafford or Ms. Kimble—mentioned that the external audits really focus on the financial situation of the program.

It did not get into what I call the programmatic concerns of delivering food aid very often. I think that was a part that we did not have sufficient knowledge on, in my experience, at least within the Department of Agriculture. So I would agree, we did not have sufficient information.

In many ways, in the Department of Agriculture, we have only recently been charged, particularly after the 1990 farm bill, with direct management of grant food aid programs. Prior to that, we have managed concessional loan programs, which are a very different type of food aid with countries, in terms of the monitoring and the requirements. It's a much more commercial-like activity, if you will.

Clearly, from our experience at the Department of Agriculture and other food aid activities that we are now undertaking and responsible for, I think our awareness, our sensitivity, our knowledge of the complexity of delivering food in difficult situations to individual recipients is greatly heightened.

We are in the process of revising our own regulations for the section 416 program. We are in the process of working with our private American PVOs, with the programs they carry out, as to how we can provide the funds. As I mentioned, some of our laws give us funds to help them do administration and auditing. One of our programs does not. That is the problem. So it has been a steep

learning curve for us in terms of food aid. This report, I think, documents what was happening, as Ms. Kimble said, very definitely in the context of the World Food Program.

Could I just briefly go back to your previous question, talking about the dilemma of how this happened over the years. I think, in addition to the things that have been pointed out and the improvements I think are taking place in WFP, I think it's important to realize, certainly, for Members of Congress, that we have two basic authorities that need to marry resources here.

We have the agricultural community, which provides the authorization, in most years, generous appropriations for the food aid programs. That, basically, is the money for the commodities and for the transportation of those commodities. It is not generally money to address the administrative management problems.

While the private PVOs have their own domestic contributions they can use—they have some access to AID money, some very modest money from Agriculture—in the case of the World Food Program, the cash resource then goes to the foreign affairs community, if you will, the Foreign Operations Subcommittee, appropriations on the part of the House.

I think their budget constraints and what they're dealing with are very different than the agricultural community that's providing the food. I think that has been one of the things, perhaps, that we needed to have more communication between those two groups, both on the executive side and, I would suggest, perhaps, in Congress, so that committees are aware of consequences of actions for each other's authority.

Mr. MCCANDLESS. Is it time for the various components of our government to sit down at a table and say, "OK, we need to combine our efforts," and direct it with one swift stroke, rather than all of these fingers and a thumb?

Ms. CHAMBLISS. That's one of the things we are doing. I think I will acquiesce to Congress as to how they wish to appropriate money and which committees do which appropriations. We are certainly trying to improve our communication in the executive branch so we have a greater awareness of each other's constraints and the requirements we may be creating for each other.

Mr. MCCANDLESS. Do you have any thoughts, Ms. Kimble?

I want to go back and refresh our memories here as to what my question was. Ms. Chambliss' comments were very pertinent to the subject, but what I asked, also, was that none of these officials from AID, State, or Agriculture were familiar with World Food Program's accountability procedures or audit reports, and we talked about internal audit and external audits.

Now, is that essentially what we were talking about when the audit report from GAO was referring to these knowledgeable areas, or lack of knowledge?

Ms. KIMBLE. I, myself, am somewhat puzzled by that comment. Although, as people have mentioned, we have no access to the internal audit, we do have access to the external audit. The external audit is not perfect, however, because, of course, it is a financial audit.

But, since I have been working this issue—and it has been, really, since late 1991—I have been working with a CPA who looks at

the external audit. So, at least to the extent of bringing some financial expertise to the issue, we are doing that. That CPA works with our programming and also works on the FAO external audit. So I'm a little puzzled by that comment in their report.

Mr. MCCANDLESS. Mr. Stafford, in 25 words or less.

Mr. STAFFORD. I would venture an assignment of resources, if I could go in a little different way, Congressman. That simply is, you spend your waking day, in my business, trying to get food to various emergency places around the world.

That's what most of our effort is geared toward, trying to call the World Food Program and figure out how they can do a diversion, trying to get a ship off line, taking a look at a port and seeing if we can scrape up some food here to take care of an emergency supply. You've got 5 more days in Burundi, or you're going to be out of food on the border. The major focus of the food officers and the emergency officers becomes one of "How do we get it there so these people don't starve?"

Now, you've got to have an equal noncompassionate compliance group on the other side, saying, "My God, how are they getting it there? Are you wasting anything? Are they getting it there in the most effective way? Are there reasonable guidelines?" It's a terribly expensive commodity that you're moving around, and with all due respect, sir, I don't think we've spent enough time and enough resources on the other side of the business, Congressman.

Mr. MCCANDLESS. Let me conclude by asking the panel, those of you who wish to answer. In the previous panel, we talked about the position of Congress in recent legislation, dealing with the fact that it was felt the establishment of a United Nations Office of Inspector General should be a step taken. What kind of a response do you have to that, Ms. Kimble?

Ms. KIMBLE. As you know, the Clinton administration is extremely committed to insuring that an Office of Inspector General is established at the United Nations.

Currently, the present Office of Inspections and Investigations, which was established by Boutros Boutros Ghali, in a sense, in a response to our call for a broader inspections mandate, only has the capacity to inspect and investigate activities in the U.N. Secretariat.

The process of establishing a broader authority for an Office of Inspector General is under discussion, and the terms under which a U.N. inspector general would operate are not yet clear, although one could envision a situation where one could broaden the responsibilities of such an office to operations that are supported out at the general assembly, like the World Food Program. This would not, however, apply to the specialized agencies who have their own constitutions and governing boards.

I would say that any kind of further monitoring and evaluation system in the United Nations would be helpful. It is clearly a weak area. We are committed to strengthening it, and I believe, also, the U.N. system is equally committed to strengthening it.

On the other side of this, I would point out the fact that, in the last conference, we approved a new external auditor for the food agencies—for, at least, the FAO and the World Food Program—and the new external auditor is the French national auditor. We believe

this will be an important step, because the French audits are more focused on programmatic audits than purely financial audits.

We worked very hard to get this change, because we thought it would strengthen the programming analysis capacity of the external audit function and help us do our oversight better.

Mr. MCCANDLESS. Thank you. I'm going to conclude there, because I have used a lot of time. I have a number of other questions, Mr. Chairman, I would like to submit to the panel and ask that we could receive responses from those questions in a timely manner.

Mr. CONYERS. Without objection, so ordered. We know that you will cooperate with us. Let me say, ladies and gentlemen, this has been a very important hearing, with complexities that are much deeper than meet the eye.

I want to particularly thank Al McCandless for his points of view and the preparation that he has taken for this hearing. He was very effective in raising these and other issues.

I would like to thank all of you for your candid and forthcoming comments to our questions. It is not easy to come forward and admit that things could be a lot better than they are, but we have got to do everything we can to better humanitarian operations.

I will be going to the African continent in the next several days, and I am going to be in touch with some of our officials there to get as much hands-on experience in terms of some of the things that we have been talking about there. We will be looking forward to the open-door communications that we have talked about here and we appreciate the spirit in which you have cooperated in this hearing. I would like to thank you all very, very much.

The subcommittee stands adjourned.

[Whereupon, at 12:15 p.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

JOHN CONYERS, JR., MICHIGAN, CHAIRMAN
CARDISS COLLINS, ILLINOIS
DENNIS ENGLISH, OKLAHOMA
HENRY A. WAXMAN, CALIFORNIA
MIKE SYNAR, OKLAHOMA
STEPHEN L. NEAL, NORTH CAROLINA
TOM LANTOS, CALIFORNIA
MAJOR R. OWENS, NEW YORK
EDOLPHUS TOWNS, NEW YORK
JOHN M. SPRATT, JR., SOUTH CAROLINA
GARY A. CONDIT, CALIFORNIA
COLLIN C. PETERSON, MINNESOTA
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DONALD M. PAYNE, NEW JERSEY
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CORRINE BROWN, FLORIDA
MARJORIE MARGOLIES-MEZVINSKY, PENNSYLVANIA
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ONE HUNDRED THIRD CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT OPERATIONS

2157 RAYBURN HOUSE OFFICE BUILDING

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ROB PORTMAN, OHIO

BERNARD SANDERS, VERMONT
INDEPENDENT

MAJORITY—(202) 225-5051
MINORITY—(202) 225-5074

May 16, 1994

Mr. Harold J. Johnson
Director, International Affairs Issues
National Security and International Affairs Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Johnson:

The Legislation and National Security Subcommittee would like to thank you for your testimony at our recent hearing on the management of U.S. donations to the World Food Program.

We appreciate the time that you took in preparing for the hearing and especially the time you spent with us providing testimony and answering questions. I would also like to extend my appreciation to Mr. Edward George and Mr. Peter Sylsma for their fine work and dedication which contributed greatly to the Subcommittee's review.

In addition to the questions asked of you during the hearing, I am submitting follow-up questions which we would like to enter into the official record of the hearing. Please respond to these questions by June 3, 1994.

You can be assured that your views were of great interest to the Subcommittee members and that your input will be carefully considered in our on-going deliberations on this subject.

Again, thank you for your assistance in this important matter.

Sincerely,

John Conyers, Jr.
Chairman
Legislation and National Security
Subcommittee

enclosures

CHAIRMAN JOHN CONYERS' QUESTIONS FOR THE RECORD FOR THE GENERAL ACCOUNTING OFFICE

AID GUIDANCE

1) You state that although WFP is exempt from the Title II accountability requirements that govern AID's relationships with other non-U.N. organizations, AID did not even follow its own regulations which govern its specific relationship with WFP.

Specifically, you report that (1) the U.S. delegation to WFP's governing body can recommend improvements in WFP projects on the basis of AID's, USDA's, and State's analyses of WFP projects, but that it does not; and, (2) project mismanagement must be reported by AID missions to AID headquarters in Washington, though it is not.

– **How can AID missions better perform their oversight responsibilities as they relate to WFP?**

– **At the time of your audit AID/Washington was not demanding full oversight reports from the field, or raising the management issues which are critical in safeguarding U.S donations under the agreement with WFP? Are you confident that AID will be able to sustain their recent push to involve their missions in WFP project oversight?**

– **During the time of your audit, to what did you attribute AID's reluctance to assume responsibility for the lack of oversight over hundreds of millions of dollars worth of U.S. commodities?**

WFP ACCOUNTABILITY PROCEDURES

1) According to your report, WFP is responsible for assessing the ability of host countries to carry out projects, ensuring that food is supplied as agree in the project agreements, monitoring its use, and correcting any problems. Yet, you found that for many years, WFP had not consistently performed these functions, relying instead on host governments like those of Pakistan and Ethiopia, which lacked the ability to implement the WFP projects.

– Since your report, have you been able to ascertain whether WFP has begun to correct the accountability, monitoring, and reporting problems?

– Are you aware of any specific improvements in WFP procedures to assess host government and nongovernment organizations abilities to properly manage WFP projects?

– Are you aware of whether AID or WFP have policies regarding the termination of supplies or use of alternative distribution options in countries that violate WFP agreements?

AID RESPONSE TO GAO REPORT

1) You state that AID did not agree with GAO's specific findings or recommendations for improved accountability for U.S. donations. In effect, AID stated that (1) since the U.S. relies on the management, audit, and accountability policies and procedures of international organizations when making contributions to them, it is not responsible for ensuring that U.S. contributions are properly managed and not wasted. (2) Management problems at WFP and losses of commodities were not as severe as GAO portrayed. (3) GAO did not appreciate the management challenges WFP confronts in its day-to-day operations.

– Are you confident that AID will now follow its own regulations as they relate to WFP?

– Are you convinced AID recognizes that U.S. accountability for the millions of taxpayer dollars worth of commodities donated through WFP needs more careful scrutiny?

WFP RESPONSE TO GAO REPORT

1) Unlike AID, you state in your report that not only did WFP agree with your findings and conclusions, but that they presented a detailed statement on actions they have already taken and intend to take to address the accountability and reporting issues you raise.

– **Does WFP have the capacity to turn its operations around so that they are more responsive to donor country accountability requirements?**

– **We understand WFP is undergoing a restructuring that was heavily influenced by your report. What recommendations do you have for WFP at this juncture, particularly as it relates to oversight of donor country contributions?**

U.S. RESPONSE TO WFP EMERGENCIES

1) GAO found that the U.S. is not consistent in its response to WFP emergencies. You state that on average, U.S. donations to WFP emergency operations in fiscal year 1992 arrived nearly eight months after WFP's initial request for food aid.

– **What is the primary justification for the United States' tardy response to many WFP emergencies? Specifically, why aren't AID, USDA and State Departments able to respond to these emergencies? And how can they improve their operations to become better partners in humanitarian missions?**

– **You state that WFP is able to compensate for the U.S. inability to respond in a timely fashion by substituting commodities until U.S. assistance arrives. You also indicate that the U.S. delay has not caused people to go hunger or to starve. Can you also say that the delayed responses have not exacerbated already precarious situations?**

GAO CASE STUDIES

1) During your review of WFP, you evaluated five refugee operations and development projects in four countries -- Ethiopia, Pakistan, Liberia, and India. These projects were selected because they represented WFP activities in different situations and locations and because they were among the largest recipients of U.S. Title II donations in fiscal year 1991.

– Do you believe these case studies represented fairly the problems and successes of WFP operations?

– Specifically, numerous losses were documented by GAO in these refugee operations and development projects. Can you hypothesize about the total dollar amount lost through WFP over the years?

– How much accountability for donations rests with host countries? Can WFP affect the manner in which host countries do business with relief organizations?

– If the U.S. decided to terminate its contributions to WFP, would this U.N. organization be able to survive?

GAO RESPONSE TO QUESTIONS SUBMITTED
CHAIRMAN JOHN CONYERS, JR.

(1) **How can AID missions better perform their oversight responsibilities as they relate to WFP?**

Although AID notifies its missions of impending WFP proposals and asks for comments, the missions we visited generally did not provide substantive comments on the host governments' ability to manage the projects or WFP's ability to monitor the projects. We found no evidence that AID pressed the missions to provide more substantive comments in these two areas, even when, as in the cases in Pakistan and Ethiopia, the management problems had been ongoing for years. AID should emphasize to the missions the importance of substantive evaluations of WFP and host country abilities to operate WFP projects.

In addition, AID's current guidance on mission oversight is ambiguous. It states, for example, that missions are not responsible for monitoring WFP operations, but then goes on to state that missions should have a general knowledge of WFP activities and report any problems to WFP or AID/Washington for resolution. Perhaps because of this contradictory guidance, missions were generally unaware of serious and prolonged commodity management problems. As a result, missions and the U.S. delegation to WFP cannot

report problems for resolution. AID should clarify that missions have a responsibility to monitor U.S. contributions to WFP.

Lastly, as recommended in our report, the U.S. delegation to WFP should prepare comprehensive position papers on each WFP project up for approval. Each paper should include an assessment of (1) WFP's ability to monitor and report accurately to its donors on food losses and (2) the government's ability to manage the project. Although these requirements are currently stipulated in AID procedures, we found few formal position papers and only one that discussed WFP and host government capacities.

(2) **At the time of your audit, AID/Washington was not demanding full oversight reports from the field, or raising the management issues which are critical to safeguarding U.S. donations under the agreement with WFP. Are you confident that AID will be able to sustain their recent push to involve their missions in WFP project oversight?**

According to AID testimony, AID has sent guidance to its missions on the importance of improved oversight over U.S. contributions to WFP. Updated guidance to AID missions on their responsibility for WFP projects is being prepared. In addition, comprehensive position papers for all new

development projects were prepared for the 1993 meetings of WFP's Subcommittee on Projects and AID plans to continue to work to improve the effectiveness of its presentations to the Subcommittee.

While it appears that AID is taking steps to improve mission oversight of U.S. contributions to WFP, the actual effectiveness of these actions will not be known until additional audit work is done.

(3) During the time of your audit, to what did you attribute AID's reluctance to assume responsibility for the lack of oversight over hundreds of millions of dollars worth of U.S. commodities?

AID's position is that executive branch policy excludes international organizations like WFP from the uniform U.S. administrative and accountability requirements that are applied to other recipients of federal grants. Instead, AID (as discussed in appendix II of our report) relies on the management, audit, and procurement policies and procedures of the international organizations. Congress has endorsed that policy in section 301 of the Foreign Assistance Act.

We agree with AID that to condition AID's support for WFP on WFP's acceptance of U.S. accountability requirements would be inconsistent with executive branch policy and practice in providing funds to United Nations agencies, and may be inconsistent with international agreements to which the United States is a signatory.

However, we believe, and AID's Inspector General and General Counsel agree, that AID has a responsibility to ensure that its contributions to international organizations, like WFP, be managed effectively and efficiently. AID's own regulations recognize this responsibility by requiring its overseas missions to (1) determine whether WFP and the host country can effectively manage U.S. assistance, and (2) alert WFP and AID of any program mismanagement for resolution. This responsibility is further recognized by the AID agreement with WFP which gives AID the right to examine WFP records and seek a U.S. audit of the program, if conditions warrant.

We believe that AID management and Congress should reemphasize AID's responsibilities in this regard when making contributions to WFP.

(4) Since your report, have you been able to ascertain whether WFP has begun to correct the accountability, monitoring, and reporting problems?

WFP has been very responsive to our findings. Based on an interim briefing after our fieldwork, WFP began a number of improvements in its accountability, monitoring, and reporting. For example, WFP commissioned a consulting firm to review the managerial and financial issues caused by WFP's changing role in emergency projects. WFP also reviewed the roles and responsibilities of its Internal Auditor and Evaluation Division, and both groups now report directly to the Executive Director. The Executive Director also plans to (1) increase resources for field operations, (2) improve financial management in the field with the inclusion of a new Field Controller system, and (3) double the number of internal auditors.

WFP made additional improvements that were discussed in its comments to our report. For the first time, emergency operations are being evaluated by the Evaluation Division, and WFP's Internal Auditor was asked to consider including management issues as a standard part of its audits. WFP's 1995 budget submission, which was approved by the Committee on Food Aid and Policies, focused on strengthening field operations; providing more effective financial management

and control; and ensuring accountability of resources. In addition, WFP indicated that it was strengthening its capacity for monitoring all its emergency programs and introducing emergency training (with partial U.S. funding) to put into place efficient delivery systems for relief operations.

Therefore, while WFP seems to be making serious attempts to respond quickly and effectively to our findings, these actions are complex and long-term in nature and further audit work will be needed to assess their effectiveness.

(5) **Are you aware of any specific improvements in WFP procedures to assess host government and nongovernment organizations abilities to properly manage WFP projects?**

AID has agreed to work with WFP to strengthen standards of accounting and reporting for recipient countries; improve the accuracy of loss reports; improve training for WFP staff in monitoring, accountability, and emergency response; and ensure that WFP has adequate resources to immediately investigate reports of waste, fraud, and abuse.

Although the list of improvements does not specifically address procedures to assess the recipients' abilities to properly manage WFP commodities, AID believes these and

other planned improvements will go a long way toward responding to our concerns about accounting and oversight at WFP. However, we cannot assess their effectiveness until we evaluate them at a later date.

(6) **Are you aware of whether AID or WFP have policies regarding the termination of supplies or use of alternative distribution options in countries that violate WFP agreements?**

Both AID and WFP have policies that allow for project termination if supplies are not used as intended. AID's transfer authorization with WFP stipulates that AID can terminate donations to WFP projects if AID believes the supplies are not being used as stipulated in WFP's project proposals. WFP's agreements with governments and nongovernment organizations have a similar provision.

We did not examine how often these provisions have been used by AID or WFP. However, in the five WFP projects we reviewed for our report, AID did not use the provision. We found that WFP used the provision in the Pakistan food-for-work project in 1991 when the new Pakistan government dissolved, for political reasons, the democratically elected councils WFP used to select and implement its

projects. WFP was planning to restart the project at the time of our review.

(7) **Are you confident that AID will now follow its own regulations as they relate to WFP?**

While AID was not following its regulations at the time of our review, AID now states that it will adhere to its regulations. We cannot speculate on whether it will do so in the future.

(8) **Are you convinced AID recognizes that U.S. accountability for the millions in taxpayer dollars worth of commodities donated thorough WFP needs more careful scrutiny?**

An AID official testifying before the Subcommittee indicated that AID now recognizes the need for careful scrutiny of contributions to WFP. At the time of our review, AID was not providing adequate oversight. Although we cannot speculate on future AID actions, we believe the issue warrants continued oversight by the Subcommittee.

(9) **Does WFP have the capacity to turn its operations around so that they are more responsive to donor country accountability requirements?**

We believe that WFP has both the capacity and the will to improve its accountability over donor contributions. However, to a great extent, this is dependent upon donors providing WFP sufficient resources to make the necessary improvements. By working within the collaborative framework provided by the Committee on Food Aid Policies and Programs, donors must develop accountability requirements acceptable to all members and WFP management. This approach is more acceptable than each donor trying to impose its accountability requirements on WFP.

As a matter of long-standing policy, United Nations agencies, like WFP, follow their own accountability requirements and not those of its donor governments. WFP's ability to respond to governments' accountability procedures is limited by (1) the United Nations' restrictions on adopting the accountability requirements of its donors and (2) the potential administrative burdens if WFP was required to implement the varied accountability requirements of its a many donors.

Rather then impose member country accountability requirements on WFP, we believe the United States should work with WFP management and its members to improve WFP's accountability standards. Toward this goal, we recommended that the U.S. delegation to WFP work with other delegations and the WFP Executive Director to (1) develop procedures with strong internal controls for distributing, monitoring, and safeguarding donated commodities; (2) require complete and accurate commodity loss reports to donors on a project-by-project basis; (3) include in WFP's project evaluations commodity management problems and actions taken by WFP to correct project deficiencies; and (4) require annual reports to the governing body on the status of principal external and internal audit findings and recommendations affecting the program.

(10) **We understand WFP is undergoing a restructuring that was heavily influenced by your report. What recommendations do you have for WFP at this juncture, particularly as it relates to oversight of donor country contributions?**

WFP should develop and impose accountability requirements on host governments and nongovernmental organizations as a condition of accepting WFP donations. Accountability requirements have already been developed by Food Aid Management, a consortium of American nongovernmental

organizations dedicated to improving the efficiency and effectiveness of food aid. These requirements, called the Generally Accepted Commodity Accounting Principles, encompass the conventions, rules, and procedures necessary to define acceptable commodity accounting practices. They include both broad general guidelines and detailed practices and procedures. The requirements cover such areas as commodity accountability, internal controls, information requirements, inventory systems, commodity use and loss reports, transaction controls, and audits. WFP may wish to adopt these or a variant. The requirements are simple and, if properly implemented, could improve accountability over WFP donations.

WFP donor governments should provide adequate resources to pay for improvements in WFP's ability to adequately account, monitor, and report on their contributions. WFP lacks the resources for this, based on statements by both WFP and U.S. officials, for two reasons; first, WFP has adhered to a policy of "zero-real-growth" in its administrative expenses at a time when its commodity budget was growing and its focus shifted from development to emergency programs, and second, WFP's funding for administrative expenses has been based on voluntary pledges to its development projects but not its emergency projects. Because emergency programs have outpaced development

programs in recent years, WFP has little money to properly administer the largest share of its current operations, its emergency projects.

(11) **What is the primary justification for the United States' tardy response to many WFP emergencies? Specifically, why aren't AID, USDA, and the State Department able to respond to emergencies? And how can they improve their operations to become better partners in humanitarian missions?**

AID and USDA officials do not consider the roughly 8 months it takes the agencies to respond to WFP emergencies to be a tardy response. AID's position is that WFP effectively compensates for the slow U.S. response times by diverting commodities from less critical projects. They indicate that the process of procuring and shipping food is inherently time-consuming and that no system that depends on the delivery of U.S. food will ever be able to respond instantaneously in emergencies. AID believes the current process allows both the U.S. and WFP to compare needs and balance priorities to respond to a wide range of emergencies.

However, we believe that AID can improve this process. We recommended in our report that AID institute a system to expedite the review of emergency requests from WFP. We

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also recommended that AID, on a test basis, pledge a limited amount of food to WFP's Emergency Food Reserve. This would allow WFP to order the food directly from USDA and by pass the roughly 3-month period AID needs to review a WFP request.

AID has indicated that it is taking steps to improve its responsiveness to WFP emergency requests. According to an AID official, AID has used USDA's expedited procurement procedures in several recent emergency requests, including those for Bosnia. AID is also developing guidelines on the use of the P.L. 480 "notwithstanding" clause to waive legal and regulatory restrictions. This could potentially allow AID to use title II funding to buy food close to the emergency site. This could reduce the average 5 months it now takes for USDA to procure and ship commodities.

(12) You state that WFP is able to compensate for the U.S. inability to respond in a timely fashion by substituting commodities until U.S. assistance arrives. You also indicate that the U.S. delay has not caused people to go hungry or to starve. Can you also say that the delayed responses have not exacerbated already precarious situations?

WFP officials told us that the long U.S. response time creates logistical and administrative burdens for the organization. However, based on our limited sample of emergency situations, we found that WFP had effectively diverted stocks from less critical projects to meet the nutritional requirements of the emergency victims.

U.S. Agency for International Development

June 30, 1994

TO: Cheryl Matcho, Clerk
Subcommittee on Legislation and National Security
Room B-373 Rayburn House Office Building
U.S. House of Representatives
Washington, D.C. 20515

FROM: Veronica T. Young
Office of Legislative Affairs
Bureau for Legislative and Public Affairs
Agency for International Development
Washington, D.C. 20523-0016

SUBJECT: World Food Program

Attached are the responses for the record for USAID Assistant Administrator for Humanitarian Response, M. Douglas Stafford's testimony during the hearing on the World Food Program on May 5, 1994.

If I can be of further assistance, please let me know. Thank you.

Attachment:a/s

U.S. DONATIONS TO THE WORLD FOOD PROGRAM

U.S. RESPONSIBILITY

1) The Foreign Assistance Act and Public Law 480, Title II, both stipulate USAID's responsibility for ensuring adequate management, accountability, and monitoring of its resources. USAID's regulations clearly reflect these responsibilities. USAID's Missions are required to assess management and monitoring capabilities of World Food Program (WFP) projects, and its missions are expected to be aware of, and help resolve problems with WFP operations. USAID also heads a U.S. delegation to Rome intended to suggest improvements in WFP projects and maintains a liaison office in Rome to serve U.S. interests.

Yet, USAID's response in the GAO report, indicated that it generally relies on international organizations like WFP to provide adequate controls and safeguards over U.S. contributions; that responsibility in this area rested with WFP and not USAID.

Mr. Conyers: WFP has a responsibility for assuring proper accountability over all donor-provided assistance, but doesn't USAID have some fundamental responsibility to guarantee that international organizations, governments, or nongovernmental organizations to which it contributes have the capacity to adequately protect U.S. taxpayers money before making contributions to those organizations?

Answer: Yes, WFP has the responsibility for assuring proper accountability over all donor-provided assistance. With respect to USAID's responsibility to protect U.S. Government resources, it is USAID's goal to always protect U.S. taxpayers' money. However, it would be impossible to guarantee that, in every instance, U.S. contributions to international organizations, governments, or nongovernmental organizations are always used properly. We do require that adequate financial accounting systems be established. When

these systems are deficient, we provide technical assistance to strengthen them.

Mr. Conyers: What specifically has USAID done to ensure that WFP has systems in place to provide adequate accountability over U.S. contributions?

Answer: USAID has impressed upon the WFP the urgent need to take action on the audit recommendations contained in the GAO report, especially the requirement to establish new accounting systems. On February 7, 1994, USAID Assistant Administrator Douglas Stafford of the Bureau for Humanitarian Response (BHR) sent the WFP Executive Director a letter detailing the main policy and management issues the U.S. saw confronting WFP. In that letter--which was agreed to by the State Department, the Department of Agriculture and the Office of Management and Budget--USAID acknowledged that important issues were raised by GAO and that immediate action was required. USAID agreed to work with WFP to improve its management systems to improve accountability of U.S. contributions.

At the 37th meeting of the WFP Committee on Food Aid Policy and Program (CFA) in Rome in May, 1994, the U.S. delegation established a number of requirements and actions to improve financial management that were endorsed by the WFP Secretariat. These are:

--systems and procedures are in place which will permit WFP to provide accurate accounting for all resources;

--accounting reports, including accurate statements of losses, will be freely available to all;

--that there is effective follow-up on reports of problems, that corrective measures are taken to address audit recommendations, and that the results of that follow-up are available to all;

--total costs of operations must be clearly understood and funding assured for effective accountability and oversight;

--training will be improved for WFP staff in program monitoring and accountability and emergency response, and

--that WFP has adequate resources to immediately investigate reports of waste, fraud and abuse.

For some time, the U.S. has been lobbying the WFP to recruit an experienced American financial

manager to fill the critical position of WFP Director of Finance and Administration. We submitted a list of candidates who we believed met the requirements. The Executive Director just announced the selection of one of our candidates who has excellent experience in establishing new systems of financial management.

Similarly, the WFP is recruiting additional financial management and audit staff. A new chief of the External Audit office has just been named. As an example of actions taken at the country level, in Ethiopia WFP has expanded its international staff by 40% and its local staff by 30% since the release of the GAO report. These increases have allowed WFP to open four sub-offices in Ethiopia to improve commodity management and reporting.

In summary, we believe that substantial progress has been made since the time of the GAO review by both USAID and WFP. However, we recognize that more needs to be done, and USAID will continue to ensure that additional financial improvements are introduced swiftly and effectively.

Mr. Conyers: Given GAO's findings, what specific measures has USAID taken to improve its assessments and monitoring of WFP projects to adequately safeguard U.S. taxpayer funds?

Answer: USAID has made great efforts to improve its assessment and monitoring of the WFP portfolio. This year we transmitted a number of requests to our field Missions for their assessment of proposed projects. The response was excellent. At the recent Rome meeting of the Subcommittee on Projects (SCP), the U.S delegation adopted a very strong position against poorly designed projects. In fact, one very poorly conceived project was not approved--a first for the SCP, and two others were modified significantly as a result of our interventions. This position was reinforced at the CFA where the U.S. delegation called for a thorough change in the way WFP projects were identified, designed and approved. For example, the Assistant Administrator of the Bureau for Humanitarian Response (BHR), Doug Stafford, made the controversial but most appropriate statement at the CFA held in May, 1994 that if FAO did not provide the high quality technical assistance WFP needed to design good projects WFP should look elsewhere for support. Stafford also admonished the Secretariat that the WFP's project review and approval process served neither donors nor

recipients well and that the process had to be dramatically changed. Other actions include the following:

--Our U.S. Mission to the UN Food and Agriculture Agencies in Rome (FODAG) has expanded its staff, adding a Program Specialist position to more carefully track U.S. Government contributions to WFP and to monitor expenditure performance.

-- USAID's representative in Rome sent guidance to USAID field posts reflecting current priorities and reminding missions of the importance of the significant U.S. investment in WFP. As a result, comprehensive position papers for all new development projects were prepared for the 1993-94 meetings of the Subcommittee on Projects (SCP). This was possible because WFP made a special effort to distribute policy and project documents six weeks in advance of the review meetings. The quality of input for these project papers from both USAID field missions and from USAID/W was seen as outstanding. Other donors commended the U.S. Delegation on the excellent preparation for the project review meetings in 1993 and 1994.

--The issue of WFP management problems noted in

the GAO report were raised by the U.S. representative and discussed at an informal meeting of donors in Oslo, April 1994. All donors acknowledged the critical need to improve financial and commodity management. At that time, a decision was made to propose placing this matter high on the agenda for the May CFA.

--Guidance on USAID's Assessment and Reporting Requirements of WFP Programs and Projects was transmitted to the field in May. The new draft guidance emphasizes the importance of our field Missions' periodic assessment of WFP and recipient government capabilities to manage their projects and establishes new requirements for comprehensive monitoring of WFP field projects.

2. According to the GAO report, USAID, State, and USDA officials responsible for promoting U.S. interests at WFP stated that WFP was a well managed operations. Yet, none of these officials knew WFP's accountability requirements, were aware of problems with WFP operations to which the U.S. is a major contributor, or had read WFP audit reports that detailed extensive management problems.

Mr. Conyers: Given the U.S. contribution to WFP in fiscal year 1992 was over $370 million and nearly $600 million in fiscal year 1993, what formal assessment has been made of WFP's ability to adequately account, monitor, and report on U.S. donations?

Answer: We believe that it is a bit of an overstatement to suggest that the U.S. Government was thoroughly unaware of WFP accountability requirements or were unaware of any problems with WFP operations. The GAO report did, however, provide us with an excellent opportunity to press for a thorough reform of WFP financial management. At the recent CFA meeting in Rome, the U.S. delegation stated unequivocally that "rapid and far reaching improvement is essential. We must improve WFP's management practices and procedures before we ask it to set out on a new course." Again, the U.S. delegation established basic requirements for financial management reform, and stated our intention to provide any assistance necessary to implement these reforms.

In addition, a specific work requirement assigned to our USAID representative in Rome this year is "in collaboration with USAID Controller/Cairo and

in consultation with USAID IG/Cairo, to carry out a vulnerability assessment of U.S. contributions ($600 million annually, or about one-third of WFP's annual budget of $1.7 million) using the methodology set forth in the Agency's Mission Internal Control Assessment (ICA) guidance and report findings to USAID/W-AA/BHR." A tentative meeting has been scheduled to meet in Rome in August, 1994 to examine vulnerability issues across the board concerning U.S. contributions.

Mr. Conyers: Why were U.S. officials responsible for WFP oversight not informed of the accountability, monitoring and reporting problems which were documented in WFP audit reports?

Answer: USAID does not receive copies of WFP audits which cover projects approved and funded by the U.S Government because the former Deputy Executive Director of WFP did not want to circulate audit reports within WFP. USAID, therefore, relied on WFP to keep us informed of audit findings dealing with mismanagement, accountability, monitoring and reporting problems.

However, with the recent appointment of Catherine Bertini, Executive Director of WFP, the audit function has now been placed directly under her control. We understand that there are two deputies (one senior deputy and one deputy for operations) who are actively involved in reviewing WFP's accounting and financial management and project monitoring procedures. A new Chief External Auditor has recently been named. USAID will continue to work with WFP to strengthen the internal auditor's function, to include follow-up action on negative audit findings, and to be informed immediately of reports of waste, fraud and abuse.

Mr. Conyers: What steps are you taking to avoid lax oversight of WFP in the future?

Answer: As discussed above, USAID has taken the following actions: (a) pressed field missions to provide comments on WFP projects, (b) USAID has provided new guidance to the USAID missions regarding monitoring of WFP projects, (c) USAID has included in its statements at the Subcommittee on Projects (SCP) and the Committee on Food Aid Policies and Programs (CFA) regarding the need to improved accountability, (d) the FODAG staff has been expanded to assist in tracking U.S. Government contributions to WFP, and (e) consultation with other donors to see if they have similar problems. (Note: The GAO report was sent to all donor countries with missions to the U.N. in Rome.)

USAID NOT OBTAINING LOSS REPORTS FOR U.S. COMMODITIES

1. As a condition of obtaining Title II commodities, WFP signs agreements, called Transfer Authorizations, that require WFP to report losses of U.S. commodities to USAID. Based on GAO's work, it appears USAID has not received these loss reports. Although USAID officials informed GAO that they rely on general WFP loss reports, these reports do not specify which donors, projects, or countries, suffered the losses. As a result, U.S. officials cannot (1) determine the loss rate of U.S. commodities, or (2) make informed decisions about continuing contributions on a project-by-project basis.

Mr. Conyers: Why has USAID not required WFP to meet the loss reporting requirement stipulated in the Transfer Authorizations?

Answer: WFP has been providing loss reports. Loss reporting is routinely distributed as part of the required reporting to the Committee on Food Aid, Policies and Programs (CFA).

Mr. Conyers: How can USAID determine if WFP is effectively controlling U.S. donations if loss reports are unavailable?

Answer: As stated in our answer to the above question, WFP does provide loss reports. The loss reports are routinely distributed as part of the required reporting to the Committee on Food Aid, Policies and Programs (CFA). The CFA which meets twice every year should receive these reports for review at that time.

Mr. Conyers: What measures has USAID taken to ensure that WFP provides loss reports on U.S. commodities as specified in the U.S. WFP agreement?

Answer: WFP has been providing loss reports. The question is whether these reports are adequate and whether or not USAID should receive something else. USAID has begun discussions with senior WFP officials and at the last Committee on Food Aid, Policies and Programs (CFA) the U.S. delegation strongly supported an increase in the administrative budget of WFP to support improvements in monitoring and accountability.

USAID AUDIT OF THE WORLD FOOD PROGRAM

1) According to the GAO report, USAID can pursue an audit of WFP projects if WFP fails to (1) supervise and control the program in the country of distribution, (2) determine that the recipients to whom they distribute the commodities are eligible, (3) avoid losses due to improper actions, and (4) maintain adequate records to determine if the commodities were properly used. The GAO report documents that WFP failed to meet these requirements.

Mr. Conyers: Given that WFP has not met the terms of their agreement with USAID, why hasn't USAID ever requested an audit.

Answer: WFP is audited by their internal and external auditors. However, USAID has just recently requested WFP to participate in a U.S. Government audit of their operations at the Port of Djibouti.

Mr. Conyers: Does USAID plan to request an audit or audits of WFP projects that are large recipients of U.S. donations?

Answer: USAID could request an audit or audits of WFP projects that are large recipients of U.S. donations, however USAID would probably want to base such decisions on whether or not we seek a high level of vulnerability. For example, although the WFP programs in India, Bangladesh and China are their largest programs, and there is a large amount of U.S. food aid involved, all three programs are well managed. In fact, the India program was singled out for praise in the GAO report. Therefore, we believe the issue here should not be size - but vulnerability. Our USAID representative in Rome advises that one item on his agenda is to work out a "vulnerability risk map" for all U.S. Government contributions to WFP.

Mr. Conyers: Could USAID and WFP work cooperatively to improve WFP accountability requirements?

Answer: We can, definitely, and we are. For its part, the new WFP Executive Director, Catherine Bertini, is from the U.S. Ms. Bertini and her senior staff have dedicated themselves to strengthening the WFP's financial management. She has welcomed both the recommendations of the GAO and USAID's offer of assistance. We believe excellent progress is underway.

CENSUS ISSUES

1) The GAO report found that WFP provided food to 670,000 fraudulent registered recipients in the Ethiopian and Afghanistan refugee projects. WFP indicated that this was the result of an agreement with the United Nations High Commission on Refugees (UNHCR), which required that WFP rely on refugee censuses developed by UNHCR and the host government.

In the case of the Afghan refugees, WFP provided food for 270,000 fraudulently registered recipients from at least 1986 to 1991. U.S. pressure in 1992 to reduce the census eventually resulted in a negotiated reduction in the refugee estimate by 270,000. However, because WFP and UNHCR officials could not determine which passbooks were fraudulent, none of the fraudulent passbooks were revoked. To protect donors, donations were reduced by 270,000. Although this protected the donors, it penalized legitimate refugees, who received smaller rations. Because no passbooks were revoked, UNHCR could pay up to $6 million under the repatriation program and WFP could provide 13,500 tons of wheat to people holding fraudulent passbooks.

Mr. Conyers: Although USAID eventually raised the Afghan census issue with WFP, why did USAID wait until 1992 when WFP officials suspected the census was inflated as early as 1981?

Answer: Considering the circumstances, part of the problem is the constant friction between UNHCR and WFP regarding the refugee population numbers. In fact, there is a case in Guinea right now where WFP believes the caseload should be reduced and UNHCR and the Government of Guinea do not agree. On the positive side, there is a new Memorandum of Understanding (MOU) between UNHCR and WFP, just executed in January 1994, which includes language to the effect that the two agencies will work together in resolving issues of caseload numbers. That aside, WFP's and UNHCR's leadership is

committed to addressing "the numbers issue." The recent crises in the Horn of Africa have clearly demonstrated that there is just not enough food and money to go around for all emergencies and therefore, the numbers with the "lesser emergencies" will have to be reduced.

Mr. Conyers: What steps has USAID taken to prevent the fraudulent distribution of money and food under the Afghan repatriation program?

Answer: One of the steps taken by USAID, WFP/Pakistan and the Government of Pakistan, was the issuance of new ration cards and to minimize domestic political problems in Pakistan there was even a "ration card for food buy back program." In short, those ration card holders could get food if they turned the cards in.

Mr. Conyers: What measures has USAID taken to ensure that the estimated $6 million and 13,500 metric tons of wheat are not provided to fraudulently registered refugees under the Afghan repatriation program?

Answer: See answer provided for the above recommendation. The combined effort by USAID, WFP/Pakistan and the Government of Pakistan in the issuance of new ration cards to receive food and to buy back food play a part and helped to ensure that the 13,500 Metric Tons of wheat reached intended recipients.

UNHCR ACCOUNTABILITY

1) GAO found that UNHCR was providing inadequate accountability, monitoring, and reporting on WFP food donations. These problems can be expected to increase under the 1992 WFP-Memorandum of understanding which stipulates that WFP will now provide all the basic food requirements for large UNHCR refugee operations. The 1992 agreement does not stipulate the accountability, monitoring, and reporting standards UNHCR is expected to meet. As a result, it does not appear to address how past UNHCR problems in these areas will be rectified.

Mr. Conyers: What is AID's view on the steps WFP and UNHCR have taken to correct this problem?

Answer: We entirely agree that the 1992 WFP-UNHCR agreement had a significant flaw in that it failed to address issues of implementation, including accountability. As the first step in bringing UNHCR and WFP closer in the manner in which they planned, programmed and implemented feeding programs for refugees, however, it remains a major achievement for the UN agencies to have concluded such a comprehensive agreement on a complex set of programs.

We are pleased that many issues, including accountability by both WFP and UNHCR, that were not adequately covered by the 1992 agreement, have been addressed in the second Memorandum of Understanding (MOU) between the two agencies, which was signed by the UN High Commissioner for Refugees, Sadako Ogata, and Catherine Bertini, to become effective January 1, 1995.

The United States has played an active role in encouraging and facilitating cooperation between UNHCR and WFP in a number of ways, not the least of which occurred during briefings offered to donors in the fall of 1993. The U.S. delegation to the CFA and the staff of the Refugee and Migration Affairs office at the U.S. Mission in Geneva advised both UNHCR and WFP that the two agencies needed, among other things, to address concretely and forthrightly the issue of responsibility for commodities at the hand-off point in each country where refugee feeding programs exist.

Mr. Conyers: Unless WFP stipulates adequate accountability, monitoring, and reporting standards, won't past problems continue?

Answer: We believe that the current language (as follows) covers distribution, monitoring and reporting requirements in the most appropriate manner for a policy document which applies to operations worldwide. The language states: "UNHCR will establish, in consultation with WFP, an adequate reporting and monitoring system for each joint feeding operation, with appropriate accountability procedures between UNHCR and the government or NGO distribution agents. In this way, UNHCR could assure WFP on the proper distribution of the food commodities, so that WFP and UNHCR would be able to account to donors for the food pledges received." "Joint monitoring of refugee/returnee food distribution at the camp/distribution site level will also be undertaken through regular WFP/UNHCR Country Office site visits."

Mr. Conyers: What has been USAID's role in this process?

Answer: The U.S. Government has taken the lead in pressing the WFP to improve its financial accounting system. USAID's direct involvement in WFP-UNHCR programs is limited, while the State Department's Bureau of Population, Refugees, and Migration (PRM) is the lead agency.

RESOURCES FOR SAFEGUARDING CONTRIBUTIONS

1) USAID's comments on the GAO report noted that the U.S. and others asked WFP to expand its response to emergencies, and as a result, WFP responses to emergencies doubled between 1990 and 1993. USAID acknowledged that funds provided to WFP to administer program are inadequate and that the U.S. only provides WFP $1 million to $2 million annually to cover the cost of administrating its program.

Mr. Conyers: Why would the U.S. provide more commodities to WFP than WFP has the resources to administer?

Answer: The U.S. Government recently announced a $3 million contribution to the Immediate Response Account (IRA) for the management of its emergency programs. We are similarly working with the WFP to permit it to use Inland Transport, Shipping and Handling (ITSH) resources to help defray the cost of field management.

We believe the WFP has a predominant capability on the procurement, shipping and inland transportation side of the equation, but is weak in the more "downstream" type activities. Also, WFP has done better with refugee and emergency programs than it has with development programs. USAID has, therefore, advised WFP of our preference to use a large portion of the 15th U.S. Pledge for Protracted Refugee projects (PROs). USAID has also, along with other donors, strongly urged WFP to collaborate with other donor

organizations in carrying out the "downstream" activities for which WFP does not have a predominant capability.

Mr. Conyers: What is USAID doing to work with other donors to ensure that WFP has adequate resources to properly administer its programs?

Answer: The USAID Office of Food for Peace Director, Robert Kramer, and our U.S. Representative, David Grams, in Rome attended a conference in Olso, April 1994, hosted by the Norwegian Government to review the Canada-Norway-Netherlands evaluation of WFP. We noted a surprising commonality of interests among the donors participating in the conference -- all were concerned about encouraging WFP to do more of what it does well (food for emergencies, particularly the procurement and delivery thereof), improving the design of WFP projects in general, focusing development assistance on disaster prone countries and improving WFP's accounting and financial management systems. Since the Oslo conference USAID has maintained a healthy dialogue with other donors, most recently at the 1994 Committee on Food Aid (CFA) in Rome.

At the May CFA meeting in Rome, the US delegation issued a stern challenge to all members, stating that there is simply no way around the need to ensure adequate administrative

funding to cover WFP's Program Support and Administration (PSA). We stated then that "the WFP's mandate--its vast portfolio of development emergency projects--will ultimately suffer unless it has the resources to manage that portfolio efficiently and effectively." The U.S. delegation similarly took the opportunity to insist that current financial mechanisms be overhauled, without changes the voluntary nature of its financing. At that meeting, we stated our concern that "the WFP's operations are far too dependent on contributions from a few donors. Donors must increase their contributions to the fullest extent possible and share the burden more evenly if the WFP is to continue to function effectively as a multilateral food aid institution. We also believe that funds from non-traditional donors should be aggressively pursued."

INSPECTOR GENERAL AND SAFEGUARDS

1) According to the GAO report, the USAID Inspector General Office has stated that if organizations are incapable of providing adequate safeguards over Title II donations, USAID should look to other alternatives to deliver American commodities

Mr. Conyers: Do you agree with the USAID Inspector General's position? If so, under what circumstances? If you do not agree from a policy standpoint, what is the basis for the disagreement?

Answer: USAID agrees that we should use organizations which are capable of providing adequate safeguards over Title II donations. However, we think the statement does not take full account of the very difficult and frequently dangerous circumstances under which WFP has to operate. Many WFP officers have been killed in conflict areas trying to deliver food.

As you are probably aware, others like the private voluntary organizations (PVOs) have the same problem as well. There are now cases where multilateral relief officials have been specifically targeted for assassination. Pressing for accountability is a must, but we must also be realistic. That aside, as far as alternatives -- we think many will agree that there are precious few alternatives to WFP at this time.

USAID's emphasis should be, and is, on improving WFP management and accounting systems.

Mr. Conyers: How can you ensure that your fundamental responsibility to safeguard U.S. taxpayer monies is observed?

Answer: Aside from the actions that are being taken by the WFP to improve its accounting systems, we also need to improve our own internal systems tracking WFP's adherence to requirements set forth in Transfer Authorizations and other agreements. Our USAID office in Rome is currently developing a tracking system to track all USAID agreements signed with WFP and note any specific requirements, primarily reporting requirements. This system, while not yet fully operational, it should be in the near future.

We also mentioned above the new guidance to our USAID Missions that calls for monitoring WFP programs in their countries.

U.S. RESPONSIVENESS TO WFP

1) GAO found that USAID lacked a system to ensure the expeditious review of WFP emergency requests. In commenting on the GAO report, USAID stated that it had recently restructured its Food for Peace office into emergency and development divisions. USAID did not address, however, whether they had introduced a system to expedite WFP emergency requests.

Mr. Conyers: Has USAID implemented a system to expedite the review of emergency food requests?

Answer: Yes. (a) At the beginning of FY 1994, USAID established a procedure whereby commitment of Title II resources for an emergency is contingent upon either an Ambassador's disaster declaration or a UN-system assessment and emergency appeal.

(b) Formal criteria are under development for exercising the discretionary authority to make procurement and shipments without adhering to general procurement and shipping regulations. In addition, a number of steps have been taken to expedite emergency program approval, procurement and shipping. For example, in order to ensure that FY 95 emergency food enters the pipeline very early in the fiscal year to meet ongoing and urgent demands, USAID approved on May 19, 1994 an "early programming" initiative which authorized the review and submission for early approval and action of IO/NGO Operational Plans for up to 100,000 MTs of FY '95 P.L. 480, Title II Emergency

food commodities. In addition, USAID has exercised authority to approve call forwards for selected emergency programs in advance of formal program authorization. A formal recommendation is included in action authorizing an expedited call forward process. As examples of this procedure, has requested that the U.S. Department of Agriculture (USDA) deviate from the monthly procurement cycle and approve out-of-cycle procurement for ex-Yugoslavia, Rwanda and Burundi emergency situations.

Mr. Conyers: Has USAID instituted any time limits under which a decision is made on an emergency request?

Answer: Yes. As stated above, at the beginning of 1994, USAID established a procedure whereby commitment of Title II resources for an emergency is contingent upon either an Ambassador's disaster declaration or a UN-system assessment and emergency appeal. Following that declaration, steps are taken immediately to implement emergency quests.

2) According to GAO, pledging a small amount of Title II commodities to WFP's International Emergency Food Reserve could improve WFP's response in an emergency. USAID indicated that this was under consideration.

Mr. Conyers: What is the status of this review? Will USAID begin pledging Title II commodities for WFP's reserve?

Answer: The pledging conference for the 16th Pledge will be held in November, 1994 in New York. At that time the matter of pledging a small amount of Title II commodities to WFP's International Emergency Food Reserve will be discussed.

While not fully subscribed, donors have pledged considerable resources through the Reserve. The donor earmarking of resources to meet specific emergencies has limited somewhat the Reserve's flexibility.

United States Department of State

Washington, D.C. 20520

RECEIVED

JUN 14 1994

HOUSE COMMITTEE ON
GOVERNMENT OPERATIONS

June 13, 1994

Mr. Chairman:

Following the May 5, 1994 hearing at which Melinda Kimble testified, additional questions were submitted for the record. Please find enclosed the responses to those questions.

If we can be of further assistance to you, please do not hesitate to contact us.

Sincerely,

Wendy R. Sherman
Assistant Secretary
Legislative Affairs

Enclosures:
As stated.

The Honorable
John Conyers, Jr., Chairman,
Subcommittee on Legislation
and National Security,
Committee on Government Operations,
House of Representatives.

Question for the Record submitted to Melinda Kimble
By Representative John Conyers, Jr.
Committee on Government Operations
May 5, 1994

Question:

What steps has the State Department taken to prevent the fraudulent distribution of money and food under the Afghan repartriation program?

Answer:

We have encouraged UNHCR, WFP and the Government of Pakistan to undertake a census of the refugee population to ensure that only resident registered refugees who require assistance receive money and food under the repatriation program.

State Department and AID representatives participated in a recent WFP/UNHCR joint food assessment mission in Pakistan and Afghanistan. The Mission was cognizant of the concerns raised in the GAO report and included those concerns in its evaluation of the programs. Based on its findings, the Mission is taking steps to move to a more cost-efficient, accountable program.

Question for the Record submitted to Melinda Kimble
By Representative John Conyers, Jr.
Committee on Government Operations
May 5, 1994

Question:

What measures has the State Department taken to ensure that the estimated $6 million and 13,500 metric tons of wheat are not provided to fraudulently registered refugees under the Afghan repatriation program?

Answer:

The April 1994 UNHCR-WFP food assessment mission renewed its 1993 recommendation that the GOP and UNHCR continue efforts to complete the household survey in Balochistan and to begin distribution through family heads. To date, only one village had been surveyed. The mission report strongly recommended that the survey be undertaken in the remaining villages beginning on or before June 1994. Absent the survey, the mission would recommend that food be distributed to an estimated population of 160,000, down from the 280,000 figure agreed to by the Mission and the Government of Pakistan in 1993.

In addition mission members also began internal preliminary discussions of a "buy-back" scheme for ration cards, based on an as yet undefined ratio. This proposal would be a way of deregistering fraudulent cards.

Question for the Record submitted to Melinda Kimble
By Representative John Conyers, Jr.
Committee on Government Operations
May 5, 1994

Question:

Why would the U.S. provide more commodities to WFP than WFP has the resources to administer?

Answer:

The WFP was created to mobilize large food surpluses in key grain producing regions that could not be commercially exported for development activities. In the past thirty years, an informal division of labor was developed whereby the U.S. was consistently the largest food contributor, while other WFP members bore the major cash costs of the organization. This arrangement has proven increasingly unworkable in today's atmosphere of diminishing assistance resources and rapidly declining surplus food stocks. The tight budget picture, coupled with the dramatic increase in complex, expensive, emergency operations, has sharply impacted on WFP's administrative capabilities.

The U.S. is now examining ways to strengthen WFP's cash position to improve management and flexibility. Unfortunately, this approach will require changes in federal legislation which currently does not permit the U.S. to contribute more cash for administrative purposes.

Question for the Record submitted to Melinda Kimble
By Representative John Conyers, Jr.
Committee on Government Operations
May 5, 1994

Question:

What is the Department of State doing to work with other donors to ensure that WFP has adequate resources to properly administer its programs?

Answer:

The Department of State, in concert with the Agency for International Development and the Department of Agriculture, is working closely with other like-minded donors to assess the needs of the WFP and ways in which to meet these needs. Part of the problem has been the lack of a clear understanding of how acute WFP's cash shortages are. The new WFP management team, which was formed in 1993, has identified several weaknesses in its accounting and monitoring procedures and is working to correct them. The U.S. and other member states have offered managerial assistance and are presently involved in reviewing financial and commodity controls and accountability measures. This collaboration will facilitate WFP's efforts to streamline administrative costs and improve efficiency.

In addition, the U.S. has made small, direct cash contributions since 1992, and continues to encourage similar contributions from traditional and nontraditional donors.

Question for the Record submitted to Melinda Kimble
By Representative John Conyers, Jr.
Committee on Government Operations
May 5, 1994

Question:

At the hearing you indicated that State will try to maintain administrative funding at or near $3 million over the next several years through a variety of measures. Realistically, doesn't the U.S. contribution for administrative funding need to increase proportionate to the increased responsibility we foist upon WFP?

Answer:

It is becoming increasingly apparent that the U.S. will have to contribute additional cash resources to the WFP in order to ensure effective oversight of our commodities. WFP is now responding to roughly three times the food aid emergencies as before. AID, State, and USDA are examining ways in which to increase our cash contribution. Unfortunately, this may in fact be accompanied by a proportionate decrease in our contribution of commodities.

Question for the Record submitted to Melinda Kimble
By Representative John Conyers, Jr.
Committee on Government Operations
May 5, 1994

Question:

How convinced are you that $3 million annually for administrative oversight will better safeguard U.S. taxpayer dollars? Considering the U.S. is one of the largest contributors to WFP, at what level should the U.S. annual contribution be to better assist WFP for their program oversight?

Answer:

We contribute only 1.5 percent of WFP's administrative budget and are not allowed, by law, to pay the four percent fee imposed by WFP in 1991 as a way to recover administrative costs for emergency and refugee programs. Based on our commodity contributions to WFP, this would be roughly $10 - 12 million. To date, we are the only major donor that does not pay this overhead charge. Changes in legislation must be enacted before additional monies can be allocated to the WFP. We favor such changes and are exploring options for a permanent legislative fix that we will recommend in 1995.

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By Representative John Conyers, Jr.
Committee on Government Operations
May 5, 1994

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United States Department of Agriculture
Foreign Agricultural Service
Washington, D.C. 20250

03 JUN 1994

Honorable John Conyers, Jr.
Chairman, Legislation and National
Security Subcommittee
Committee on Government Operations
U.S. House of Representatives
2157 Rayburn House Office Building
Washington, D.C. 20515-6143

Dear Mr. Chairman:

I appreciated the opportunity to appear with my colleagues from the Department of State and the Agency for International Development before your Subcommittee. I believe our sharing of information and our joint concern will further improve the positive impact of U.S. food assistance on needy people in developing countries.

Enclosed you will find my replies to the several questions included in your May 15 letter. I am also enclosing for your information a statement given by Doug Stafford at the recent meeting of the World Food Program (WFP) governing board outlining our requirements for improved financial accounting. This statement was supported by many donor and several recipient countries and appeared to be well received by the WFP Executive Director and the WFP senior staff.

I would, of course, be pleased to visit with you and the staff of the Subcommittee to discuss this matter further at any time you may wish.

Sincerely,

Mary T. Chambliss

Mary T. Chambliss
Director
Program Analysis Division

Enclosure

cc: Melinda Kimble, Department of State
Doug Stafford, Department of State

CHAIRMAN JOHN CONYERS' QUESTIONS FOR THE RECORD FOR MARY CHAMBLISS, U.S. DEPARTMENT OF AGRICULTURE

1. USDA donations under Section 416(b) to WFP is increasing. USDA donations in fiscal years 1990, 1991 and 1992 increased from $12.7 million to $34 million to $110 million respectively.

-- Has USDA assessed WFP's ability to account for its donations?

-- What steps has USDA taken to ensure that its contributions are safeguarded more effectively than A.I.D. donations?

-- As a result of the GAO report, what steps has USDA taken to improve management over U.S. donations?

(A) Has USDA assessed WFP's ability to account for its donations? Since USDA usually does not have agricultural attaches in countries for which donations are provided, we have generally followed AID's lead in assessing both WFP ability to distribute and account for these donations. While the majority of USDA's donations have been provided for emergency operations, which are difficulty for any organization to monitor, the USAID staff has provided assistance in direct and indirect monitoring of USDA donations.

In order for USDA to obtain a better understanding of the compilation of incountry transport, storage and handling (ITSH) costs, USDA has requested that WFP provide information identifying the several components of the ITSH rates. While

information on ocean shipping rates is readily available to USDA, information on inland transport and handling costs in developing countries is not. We are endeavoring to collect what information we can and compile it systematically. This will facilitate our management of both USDA bilateral and multilateral food aid. In addition, USDA has required that WFP provide information confirming and justifying requests for commodity diversions and explanation for changes or additional need for associated financial expenses.

Although we recognize that WFP and USDA computer systems are not compatible, we are working with WFP to obtain necessary documentation on any commodity divisions so both organizations records are accurate and consistent.

(B) What steps has USDA taken to ensure that its contributions are safeguarded more effectively than AID donations?
USDA would expect WFP to properly manage both USDA and AID donations and realizes the WFP has one modus operandi for all of its commodities. USDA has developed the following set of guidelines and procedures seeking to better ensure efficient and effective use of USDA donated commodities to meet major emergency needs. We realize there are high risks in such programs, but we also recognize the potential benefits in lessening human suffering.

USDA contributions have, therefore, been earmarked and targeted principally for emergency assistance to countries affected by drought, civil strife, and other man made disasters. In fiscal year 1992, 100 percent of the donated commodities were provided to help meet the emergency needs in countries most affected including those of refugees and displaced persons. In fiscal year 1993, approximately 70 percent of commodities were distributed to emergency programs. In this fiscal year, 100 percent of the donated commodities to WFP will go toward protracted refugee and displaced persons projects.

Under the Section 416(b) program, the USDA pays the related transport costs from the U.S. port to the recipient country, and in the case of emergencies, USDA pays costs for incountry transportation, storage, handling and distribution. USDA provides funds for these necessary costs to help assure timely and proper movement of the food. USDA requests that WFP provide certified quarterly reports on the use of funds for authorized transportation costs. This report indicates the recipient country, actual tonnage received, arrival date, and expenditures incurred.

Operationally, USDA/FAS has assigned staff to work closely and maintain routine contact with WFP/Rome in the resolution and approval of commodity/program changes and any issues which arise. USDA coordinates and consults on WFP proposed programs with other

USG offices in USDA, AID, State, and the U.S. Mission to the Food and Agricultural organizations in Rome.

USDA/FAS staff processes the WFP commodity request document within USDA for procurement and shipment. USDA requires WFP to submit amended shipping documentation to confirm any changes in commodity tonnage, destination, and packaging requirements. USDA continuously monitors the status of commodity(ies) needs, availability, trade, and associated logistical reports on countries earmarked for donations. USDA has requested WFP to not ship commodities when the recipient country's domestic crop is being harvested or marketed. In addition, USDA has requested WFP to stagger shipments in order not to overload particular foreign ports.

(C) As a result of the GAO report, what steps has USDA taken to improve management over U.S. donations?

As USDA's food aid programs have grown generally in recent years, we have been seeking to improve our management of all donations including those to WFP. The GAO report provided useful information and recommendations to assist USDA in its efforts to improve its food aid management.

USDA is working with USAID missions and WFP staff in Rome and the recipient countries to assure there are adequate facilities to prevent spoilage. Country allocations are adjusted based on a

review and analysis of information received from the field staff regarding country situation.

USDA has for example, often advised WFP of procedures to implement in reducing commodity losses due to insect infestation and inadequate storage facilities. We will seek to expand our assistance in such technical areas.

USDA will also continue its active participation, working closely with officials of both Department of State and AID, in the U.S. delegation to WFP's governing board. As the GAO report stated the leadership role of this delegation is necessary to assure continuing improvement of WFP's management.

2. During testimony, you indicated that under certain instances administrative operations of WFP can be funded, while in others they cannot.

-- Please explain in detail what legislative changes can be useful in more fully funding the "administrative" expenses that would allow the commodity programs to be managed?

A legislative change that would be useful in fully funding the "administrative" expenses, Which would allow the USDA commodity donations to WFP to be better managed, would be inclusion under the authority of Section 416(b) of a provision to fund necessary

administrative and management costs to assure effective and efficient use of the Section 416(b) commodities. This provision would assist not only WFP but also private voluntary organizations who also receive these commodities. In addition, current P.L. 480 Title II language authorizes such funds for the private voluntary organization programs, but does not include international organizations. Reconsideration of this provision might also be helpful.

6/3/94

UNITED STATES DELEGATION
WORLD FOOD PROGRAM
MAY 16 - 27, 1994

May 21, 1994
UNCLASSIFIED
DRAFT: Ben Muskovitz

COMMITTEE OF FOOD AID POLICIES AND PROGRAMS (CFA 37)

AGENDA ITEM 8: RESOURCES AND LONG TERM FINANCING OF WFP

STATEMENT FOR THE UNITED STATES DELEGATION

Mr. Chairman,

When I spoke last week about the future of the World Food Program's policy course, I mentioned briefly our deep concern about the organization's financial management problems. I believe that no issue is more important, nor potentially compromises the foundation of the of the World Food Program, than its ability to manage its resources. What we decide in this forum--and, Mr. Chairman we must decide--will define the future of this organization. We fully subscribe to the goals established in paragraph 2 of the document. The CFA must determine a more appropriate and consistent vehicle for financing to ensure a more timely, predictable and adequate resource base. But this is only one side of the coin. The WFP must dramatically improve the way it manages this resource base.

Most of you know that the United States government, at the request of our Congress, completed a review of the management of U.S. donations to the WFP. It should come as no surprise that the review was very critical of the WFP's accountability and oversight of its resources. In my testimony before our Congress, I stated my firm belief that the WFP is close to indispensable. No other single organization has the commodity procurement and logistical management skills of the WFP. Its programs have saved

millions of lives. I told our Congress that, as the WFP has grown, doubling its resources over the past five years, more complex political emergencies have arisen, and the focus of its programs have changed. Its management problems reflect that dramatic change. But I also agreed with report's conclusions about the severity of the WFP's management problems, and I pledged my firm support to assist in establishing fundamental reforms.

Our basic requirements are not extraordinary. The CFA and the WFP itself will agree that they are reasonable and that they are essential to effective operations. I have personally told Congress that the U.S. delegation will work to ensure that:

--systems and procedures are in place which will permit WFP to provide accurate accounting for all resources;

--that accounting reports, including accurate statements of losses, will be freely available;

--that an improved system for calculating overhead costs in emergencies be established;

--that there be strengthened standards of accounting and reporting for recipient countries, both governments and PVOs;

--that there is effective follow-up on reports of problems, including recommendations of the auditors, and that the results of that follow-up are available to all; and

--that total costs of operations must be clearly understood and funding assured for effective accountability and oversight.

Mr. Chairman, the situation is so critical at this moment that the U.S. government is unable to disburse a very significant

amount of funds, simply because the WFP cannot liquidate its balance and adequately account for funds it has used in previous years. This situation must change.

We believe that there is simply no way around the need to ensure adequate administrative funding to cover the WFP's Program Support and Administration. We have heard expressions of satisfaction about the very small percentage of total funds used for overhead. Mr. Chairman, I believe this is penny-wise and pound foolish. The WFP's mandate-- its vast portfolio of development and emergency projects--will ultimately suffer unless it has the resources to manage that portfolio efficiently and effectively. If it comes down to a difficult choice, adequate cash must be provided even if it comes at the expense of commodities. We hope that choice never has to be made. In addition, we believe that a careful review of all accounting transaction will disclose higher unliquidated obligations than necessary. This would free up resources for funding PSA expenses.

As the CFA revamps WFP's programs and policies, we must consider an overhaul of the financing mechanism currently in place, without changing the voluntary nature of its financing. The Cost Study was very useful in answering basic questions on costs. It also raised such basic questions on financing as the very large number of "windows" through which donors finance the WFP. This must be simplified. One of the striking findings of the Cost Study is that the WFP does not recover the full costs of bilateral programs. It is critical that a new financial

structure for the WFP be developed, and developed quickly.

Mr. Chairman, we are also very concerned that the WFP's operations are far too dependent on contributions from a few donors. Almost three-quarters of the WFP's multilateral resources were provided by five donors. Donors must increase their contributions to the fullest extent possible and share the burden more evenly if the WFP is to continue to function effectively as a multilateral food aid institution. We also believe that funds from non-tradition donors be aggressively pursued. Many member nations with more advanced economies, and those that export food, should be expected to change their status from "recipients" to "donors". These countries can apply their technical "know-how" to help others who still must learn.

In an effort to addres the WFP's cash flow proble, we are exploring the possibility of making shifts in our own contributions to the WFP. Given the tight budgetary climate, however, the U.S. contribution level is not likely to increase. Again, this means that any shift to provide additional cash will occur at the expense of food.

Mr. Chairman, it is absolutely essential that we strengthen donor and recipient country confidence in the ability of the WFP to run in the most efficient and effective manner. We recognize that progress has already begun on management reform within WFP. I applaud the willingness of the CFA, the Executive Director, and WFP staff for their willingness to acknowledge problems and to quickly adopt needed improvements. It is because of this confidence that I report to you a new pledge of $3 million to the

Immediate Response Account. Mrs. Bertini, the United States will provide any assistance which might be desired in this effort. I am sure Congress will monitor this issue closely. The United States delegation must be able to report rapid progress in finance and management reforms before our next pledge.

Thank you Mr. Chairman.

U. S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

The Honorable John Conyers, Jr.
Chairman
Committee on Government Operations
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

In accordance with Section 236 of the Legislative Reorganization Act of 1970, I am enclosing the U.S. Agency for International Development's (USAID) comments on the General Accunting Office (GAO) Report, "Foreign Assistance: Inadequate Accountability for U.S. Donations to the World Food Program," (GAO/NSIAD-94-29 dated January 28, 1994).

Sincerely,

Robert K. Boyer
Senior Deputy Assistant
Administrator
Bureau for Legislative and
Public Affairs

Enclosure: a/s

USAID Comments on the GAO Final Report
"FOREIGN ASSISTANCE: Inadequate Accountability for U.S. Donations to the World Food Program"
Dated January 28, 1994 (GAO/NSIAD-94-29)

USAID welcomes the opportunity to comment on GAO's final report on U.S. donations to the World Food Program (WFP). GAO has provided valuable insights on management issues confronting WFP. Through this audit, GAO and the Congress have stimulated renewed commitment by USAID and in turn by WFP itself to improved performance.

The Agency's detailed comments on the draft report are included in the final report as Appendix II. USAID appreciates clarifications GAO has made in the final report in response to these comments. GAO has accepted the Agency's position that USAID accounting and audit standards could not be imposed on WFP because it is an agency of the United Nations. This is important because it permits USAID to pursue a constructive dialogue leading to WFP management improvements. USAID also appreciates GAO's willingness to incorporate other proposed changes in its final draft.

General Comments on Final GAO Report

The World Food Program has become manager of one of the largest food assistance programs in the world. In 1992, at the time of the audit, WFP supplied $1.7 billion of food to support development projects in 90 countries and 60 percent of all international emergency food relief. WFP food projects fed over 42 million people in 1992. Moreover, WFP's budget continues to grow--total tonnage delivered has nearly doubled in the last five years.

In short, WFP is close to indispensible. No other single organization has the commodity procurement and logistical management skills of WFP. Its programs have saved millions of lives.

As WFP has grown, more complex political emergencies have arisen, and the focus of WFP's programs has changed. GAO has acknowledged the difficult management problems created by these changes. However, USAID believes they deserved more emphasis in the final GAO report. They would have helped explain some of WFP's problems, and set the context for major reform.

First, WFP's program has changed radically in recent years. For most of its existence, WFP has been a development organization. As recently as three years ago, 60 percent of WFP's budget was allocated to development projects. Staff expertise and

management structures were focused on development issues. However, with the dramatic increase in emergencies over the last two years, the reverse is now true--in 1993 over 60 percent of WFP's budget was allocated for emergencies and refugee programs. Emergency management, including emergency food aid management, requires skills different from the management of regular development programs. This shift to emergency feeding has understandably strained WFP's management capacity. Additional stress has resulted from the near doubling of the total program over the past five years.

Second, many of the recent emergencies have arisen in countries where there have been security problems with distribution of food and where local governmental control has been weak or non-existent. The traditional implementing arrangement for development projects for WFP has been to task the host country with major implementation responsibilities, and this was possible for such countries as India (singled out for praise in the GAO audit) or Sri Lanka. However, with many of the more recent emergencies, there has been no government (e.g. Somalia) or the government has been unable to control the entire country (e.g. Ethiopia at the time of the audit). As a result, WFP has been forced to put together a variety of jury-rigged implementation arrangements.

In these situations, security problems have compounded commodity management problems. Ethiopia is an example. For most of 1992, WFP convoys and staff could only move, if at all, with armed escorts. It was necessary to airlift food into parts of Ethiopia because it was unsafe to send road convoys. Staff were murdered (ten in southeastern Ethiopia alone), trucks hit land mines, and commodities were extorted and stolen.

WFP has had to do the best it could under the circumstances, often working closely with private voluntary organizations. Other management arrangements would almost certainly have encountered similar commodity control problems. The alternative would have been to refuse to deliver assistance and, as a result, to see large numbers of refugees and displaced persons starve.

The third difficulty which WFP has faced is lack of resources, coupled with the rigidity of its own financing system. Even while its commodity budget was growing and the focus of its programs shifting sharply to emphasize emergencies, the then WFP Executive Director adhered to the policy of "zero-real-growth" for administrative budgets of the Geneva Group of donor countries. Under this policy, no real increases in WFP's Administrative and Program support budget were requested. As a result, resources were not available to mount necessary improvements in accounting, monitoring and oversight systems. This policy complied with general U.S. Government policy for all UN organizations, but may have negatively affected WFP's ability to manage resources as effectively as it should.

WFP's financing system has complicated the problem. Since WFP is a voluntary agency of the UN, nearly all its financing for administration and management comes through a semi-annual pledging session rather than through assessed contributions. A complex and rigid system has developed in which donors earmark resources for programs. The management budget is, in some ways, a residual of funds left over after this earmarking. The U.S., for example, is the leading donor and utilizes WFP heavily to implement emergency and refugee programs. However, only a very small portion of U.S. resources are used for central administration and management; and it has long been U.S. policy that the U.S. provides food (and related transportation costs) and other donors should finance administrative costs.

GAO has acknowledged this issue of financing as raised by WFP. However, since it was outside the scope of the audit, GAO did not assess the impact of constrained resources available for management on WFP's operations. Nor did GAO make recommendations on this topic. Nevertheless, this is an important policy issue for both WFP and the U.S. government and one which USAID has been actively pursuing. The U.S. contribution to WFP from the International Organizations and Programs account (the small amount allocated for central administration and management) has been increased to $3 million this fiscal year. This will meet only a portion of the need, but is indicative of U.S. recognition of the significance of this problem.

It is also important to note that much progress has been made since GAO conducted its audit. It will take time for these changes to be fully implemented and more work needs to be done. However, both USAID and WFP are fully aware of the need to improve management, accountability, and oversight at WFP. The GAO audit has provided useful impetus to this effort.

For its part, USAID has made a special effort to improve its oversight of the WFP portfolio. Since the audit, USAID's representative in Rome has sent guidance to USAID field posts reflecting current priorities and reminding missions of the importance of the significant U.S. investment in WFP.

In addition, comprehensive position papers for all new development projects were prepared for the 1993 meetings of the Subcommittee on Projects (SCP). This was possible because WFP made a special effort to distribute policy and project documents six weeks in advance of the review meetings. The quality of input for these papers from both USAID field missions and from Washington was seen as high. Other donors commended the U.S. delegation on the excellent preparation for the project review meetings in 1993.

In preparing these papers, USAID adopted the model used since 1990 for each protracted refugee operation. The U.S. example on protracted refugees has stimulated other member states to make a stronger effort to analyze refugee projects and has resulted in

more careful consideration of these activities.

In addition, the issue of WFP management problems and the GAO report were raised by the U.S. representative and discussed at an informal meeting of donors in Oslo last month. All donors acknowledged the critical need to improve financial and commodity management. A decision was made to propose placing this matter high on the agenda for the upcoming meeting of the WFP policy body, the Committee on Food Aid Policies and Programs.

For its part, WFP has recognized how important it is to improve its financing, accounting systems and management procedures. The new Executive Director, Catherine Bertini, is from the U.S. Having had time to understand the full range of policy and program issues confronting WFP, she has dedicated the current year to strengthening management. She has welcomed both the recommendations of the GAO and USAID's offers of assistance.

Additional staff is being added, including a Field Controller, financial analysts and auditors. Recruitment is underway for a new Chief of Finance and Administration. USAID has strongly encouraged her to hire someone familiar with Western accounting principles and practices. We understand several Americans are among the candidates under consideration for this critical positon. A financial management study is underway, and a new financial management system is envisioned. The long-term financing of WFP will be one of the central topics of this Spring's and next Fall's meetings of donors on WFP policies and programs. WFP has also made many of the changes in reporting systems recommended in the GAO study.

As an example of actions taken at the country level, in Ethiopia WFP has expanded its international staff by 40% and its local staff by 30% since the time of the GAO audit. These increases have allowed WFP to open four sub-offices in Ethiopia to improve commodity management and reporting.

In summary, GAO reported real problems with the management of WFP programs. Substantial progress has been made since the time of the audit by both USAID and WFP. However, more needs to be done, and USAID acknowledges its responsibility to ensure additional management improvements are introduced rapidly.

Specific Comments on GAO Recommendations

USAID supports GAO's recommendations and will work with WFP to see they are implemented. On February 7, 1994, USAID Assistant Administrator Douglas Stafford of the Bureau for Humanitarian Response sent the Executive Director of WFP a letter detailing the main policy and management issues the U.S. saw confronting WFP. In that letter--which was cleared by the State Department, the Department of Agriculture and the Office of Management and Budget--USAID acknowledged that important issues were raised by GAO and that effective action was required. USAID agreed to work

with WFP on the following matters:

--improving systems for calculating overhead costs in emergencies;
--strengthening standards of accounting and reporting for recipient countries, both governments and PVOs;
--improving the accuracy of reporting of losses;
--systematizing reporting on actions taken to address losses;
--improving training for WFP staff in program monitoring and accountability and emergency response;
--strengthening the internal auditor's function, to include follow-up action on negative audit findings; and
--ensuring that WFP has adequate resources to immediately investigate reports of waste, fraud and abuse.

Improvements in these areas of management will go a long way toward responding to GAO's concerns about accounting and oversight at WFP.

GAO included the following specific recommendations in its final report:

I. The Administrator of AID and the Secretary of State should direct the head of the U.S. delegation to WFP's Committee on Food Aid Policies and Programs to work with other delegations and WFP's Executive Director to (1) develop effective procedures with strong internal controls for distributing, monitoring, and safeguarding donated commodities; (2) require complete and accurate commodity loss reports to donors on a project-by-project basis; (3) include in WFP's project evaluations commodity management problems and actions taken by WFP to correct project deficiencies; and (4) require annual reports to the Committee on the status of principal external and internal audit findings and recommendations affecting the program.

USAID agrees with these recommendations and will work with the Committee on Food Aid Policies and Programs (CFA) to accomplish their objectives. As indicated above, USAID has already begun to discuss this matter with senior WFP officials. Additionally, at the last CFA, the U.S. delegation strongly supported an increase in the administrative budget of WFP to support improvements in monitoring and accountability.

II. To strengthen the U.S. delegation's ability to assist WFP in establishing more effective accountability procedures, GAO also recommends that the Administrator of AID:

--require missions to fulfill their requirements to periodically assess and report on host government and WFP capabilities to manage and monitor WFP projects, and
--require that the U.S. delegation to WFP develop comprehensive position papers on WFP project proposals, including comments on host government capabilities, to ensure adequate

accountability practices for presentation and consideration at the Subcommittee on Projects.

USAID agrees with this recommendation. Updated guidance to missions on their reponsibilities for WFP projects is now being prepared. As discussed above, improvements in project reviews for the Subcommittee on Projects have already been introduced, and USAID will continue to work to improve the effectiveness of its presentation to the Subcommittee.

III. To improve U.S. responsiveness to WFP emergency operations, GAO recommended that the Administrator of AID:

--establish a system to expedite the approval of WFP requests for emergency food aid, and
--on a test basis, pledge a limited amount of Title II commodities to WFP's International Emergency Food Reserve.

USAID is introducing measures which will improve U.S. responsiveness to WFP emergency operations. In several recent appeals, including those for Bosnia, USAID has utilized the Department of Agriculture's expedited procurement procedures. USAID is also developing guidelines on when to use the "notwithstanding" authority in P.L. 480 to waive legal and regulatory restrictions. USAID is also introducing a new reporting system which will better document the U.S. response to WFP emergencies.

As recommended by GAO, USAID will re-examine the possibility of changing the long-standing U.S. policy against contributing to the International Emergency Food Reserve. In considering this possibility, the U.S. will need to carefully consider resource availabilities and to ensure that U.S. emergency priorities continue to be met.

Finally, it is important to note, as GAO has acknowledged, that the current system of responding to emergencies has proven very flexible. It has allowed both the U.S. and WFP to adjust to changing priorities. Most important, GAO found no evidence that U.S. response time caused victims of emergencies to go without food.

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